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# USSR Report

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 2, February 1982

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WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 2, February 1982

Translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.

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## CONTENT OF ARTICLES SUMMARIZED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 2, Feb 82  
(signed to press 1 Jan 82) pp 158-159

[English summaries of articles: "The Issue in Brief"]

[Text] The editorial "Onward March Along the Path of Peace and Creation" describes the dynamics of events in the Soviet Union and the international events which have been influenced by the work and results of the 26th CPSU Congress. It reveals the tremendous amount of political, organizational and economic work performed by the communist party during the year following the congress, the activities of the masses and the growth of their certainty that the massive and complex tasks set by the congress will be fulfilled.

The past year provided rich evidence that the truly internationalist relations that are a firmly established tradition in the socialist community became possible primarily through participation in the development of socialist international relations, not only by parties and government bodies, but also by the broadest segments of the public. Citing numerous facts and statistics, the article describes the fulfillment of the program outlined by the communist party. One of the distinctive features of the program is the increasingly close coordination of plans for the economic and social development of society. It discusses capitalism's inability to cope with long-standing social and economic problems, as vividly demonstrated by the examples of the United States and Western Europe.

The peace program for the 1980's, formulated by the 26th CPSU Congress, is proof of the tremendous expansion of the Soviet State's sphere of action and of its vital importance in the future of all countries and peoples. Judging by the events of 1981, the Soviet State is doing its utmost to implement the principles of peaceful coexistence while firmly rebuffing the aggressive aspirations of imperialism.

In their article entitled "Outer Space is To Be Peaceful," S. Stashevskiy and G. Stakh focus attention on the need to demilitarize outer space as one aspect of the overall problem of disarmament. The authors analyze a new Soviet initiative--the draft treaty, submitted to the 36th Session of the UN General Assembly, prohibiting the deployment of any type of weapon in outer space. The article discusses the importance and place of this initiative among all of the Soviet efforts aimed at military detente and disarmament.

The authors direct special attention to the discussion of the new Soviet initiative in the General Assembly. They take a discerning look at the attempts of the United States and its allies to divert the world community from the discussion of the vital need to demilitarize outer space. Special attention is also paid to the latest American plans to militarize outer space.

In his article "Africa in the Global Strategy of Imperialism," Ye. Tarabrin notes that this strategy, as a whole, is supposed to avert the further contraction of the sphere of imperialist domination and to ensure the survival of capitalism by alleviating its general state of crisis. Imperialism is using direct and indirect means to involve the new independent African countries in the attainment of these objectives, to force these states to follow the imperialist course, to provoke a confrontation with the states of the socialist community, to establish control over the economic development of the young African states, to utilize the natural resources of the continent, to ease the crisis in the capitalist economy, to attach the African countries to the imperialist militaristic machine, to instill anticommunism and anti-Sovietism into the African consciousness and to replace traditional African spiritual values with bourgeois values conforming to Western "standards."

The policy of the United States is particularly dangerous for African independence, especially two of its aspects: the rapprochement with the South African racist regime and the creation of the military bridgehead in northeast Africa, which Washington has included in the "third U.S. central strategic zone."

Washington's hegemonic claims are encountering increasing opposition in the new independent states. The countries with a socialist orientation are rebuffing the neocolonial attacks most consistently. Many "moderate" bourgeois regimes are also actively opposing imperialism in the struggle for economic independence and the consolidation of political sovereignty.

V. Zubchaninov's article "The Contradictions of Technical Development in the Capitalist Countries: Industrial Materials" deals with one of the most acute and annoying problems of the capitalist economy. The author discusses the political aspects of the problem and directs attention to world imperialism's attempts to secure sources of raw materials by seizing the resources of other countries and thereby increasing its own potential. To attain these goals, the capitalist governments are intimidating the people of the world with the prospect of a so-called "resource war" to camouflage their own overt infiltration of countries rich in natural resources and their belligerent attempts to blackmail recalcitrant nations. Resource problems are also connected with the sky-rocketing prices of minerals and the need to develop new and expensive materials with certain properties which do not exist in nature. Mounting costs are necessitating the more economical use of production resources. Now that the conservation of materials is of major importance, a great deal of attention is being paid to ways of lowering material-output ratios, such as the development of high-quality metals, new alloys and methods of converting traditional structural materials, as well as to the growing use of non-ferrous, rare and rare-earth metals, plastics, fiberboard, etc. The economic efficiency of new materials is affected considerably by their high production costs. Although changes in technology can sometimes lower costs, the economic aspects of new technical designs are negatively affected by the

contradictory conditions of capitalist price-fixing. This is why the economic expediency of new developments in the sphere of industrial materials can only be ascertained in light of the dynamics of the material-output ratio at higher levels of aggregation. An analysis of these indicators leads the author to the conclusion that material-output ratios tend to either remain constant or even decline under the conditions of a growing quantitative economy. To avoid higher ratios, research and development must be concentrated in the search for ways and means of securing the higher effectiveness of raw materials and intermediate product utilization.

In his article entitled "Where Is R. Reagan's Program Leading the American Economy," Yu. Chizhov analyzes the U.S. Government's present intervention in the American economy, usually referred to as "Reaganomics." As the author demonstrates, the President's new deal is based both on traditional bourgeois government practices and on "supply-side economics." The article contains a detailed discussion of some of the steps taken by the administration, such as the redistribution of national income in favor of corporations through tax policy, the military and inflationary stimulation of the economy through the escalation of military spending, the introduction of restrictive monetary practices, etc. The conclusions of the author's qualitative analysis are supplemented with calculations based on the macroeconomic modeling technique. The results enable the author to conclude that the 1981 recession was, to a considerable extent, a result of the Reagan Administration's faulty monetary policy and that its negative impact on the economy might not be fully compensated for by the possible positive effect of lower taxes. High bank rates, the pursuit of militaristic ambitions and the curtailment of research and development expenditures are also contributing to the lower volume of production and depressed growth rate.

The article by Yu. Levin, "World Trade in Commodities and the Developing Countries," contains an analysis of the role played by foreign trade in minerals and agricultural raw materials in the resolution of global resource problems and the correction of the economic retardation of the developing countries. The author also outlines the growing dependence of the industrial capitalist powers and new independent states on external commodity supplies, which are playing an increasingly important role in the satisfaction of their demand for natural resources. The author stresses that the degree to which countries depend on imports, particularly in the case of the underdeveloped countries, differs considerably.

A long section of the article deals with the importance of raw material exports to the economic development of states which have embarked on the path of independence. The author also discusses the positive and negative aspects of the specialization of these countries in the export of minerals and/or agricultural products.

In his article "Foreign Capital in the Economy of Australia," V. Amirov says that the import of capital is one of the most important long-term factors affecting the economic development of this country, where foreign control over the economy is stronger than in any other developed capitalist country with the exception of Canada. The penetration of the Australian economy by foreign monopolies has been particularly noticeable in industry, many branches of which are under their control. The United States and Britain are the main capital investors, but in the last few years the investments of some other countries, particularly Japan, have been increasing.

This is aggravating conflicts between the monopolies of the major capitalist countries in the struggle for the domestic market and natural resources of the fifth continent. The world economic crisis in the mid-1970's dramatically decreased the flow of capital to Australia for the first time in the postwar period. At present, however, the country's economy is experiencing the substantial growth of foreign investments. The new exacerbation of the energy crisis in the late 1970's heightened the interest of multinational corporations in Australia's energy resources, which attract the majority of foreign investments. The Australian Government is still relying on foreign capital investments to speed up the economic development of the state, but it has had to institute stricter state regulation in order to moderate the negative consequences of activities by foreign monopolies.

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## AMERICAN PLANS FOR SPACE MILITARIZATION ATTACKED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 82  
(signed to press 1 Jan 82) pp 15-24

[Article by S. Stashevskiy and G. Stakh: "Outer Space Must Be Peaceful"]

[Text] The rapid development of space technology has made the erection of reliable obstacles to prevent the spread of nuclear weapons to outer space, this new sphere of human exploration, one of the most urgent international objectives. Here, just as in other areas of the struggle for military detente, the Soviet Union has initiated peaceful efforts to keep all types of weapons out of space. "Let the boundless expanses of outer space," L. I. Brezhnev stressed, "be free and clear of all types of weapons. We believe in concerted efforts for the great and humane purpose of preventing the militarization of outer space."

I

Even in the very beginning of the space age, after launching the first satellite in history in 1957, the Soviet Union mapped out a specific program for the complete demilitarization of space in a memorandum of 15 March 1958 on disarmament and proposed a ban on the military use of outer space for any purpose whatsoever. Since that time the USSR has been waging a constant and tireless struggle to turn space into a zone of exclusively peaceful cooperation.

The problem of limiting the military use of space and ultimately effecting its complete demilitarization is closely related to the general problem of arms limitation and disarmament, especially in the nuclear sphere. This is due to the fact that, by virtue of the peculiarities of space technology, the powerful rocket systems which are the principal vehicle of peaceful space research are simultaneously the main vehicle for the delivery of nuclear weapons. The most destructive weapon of the present day, the strategic nuclear missile, is connected with the use of outer space because part of the trajectory of ICBM's passes through space.

As a result of the efforts of our country, supported by other peace-loving states, international treaties and agreements were drafted and concluded in the area of arms race limitation, which restricted the military use of space in some areas and prohibited the use of space for some types of military activity.

The first international agreement of this kind was the treaty banning nuclear tests in the atmosphere, outer space and under water, which was initiated by the USSR and

went into effect in 1963. It was signed by more than 100 states, including three nuclear powers--the USSR, the United States and England.

The 1967 Treaty on the Principles of the Activity of States in the Exploration and Use of Outer Space, Including the Moon and Other Celestial Bodies was the next major step in the demilitarization of outer space. It records the important international legal pledge not to place in orbit around the earth any object carrying nuclear weapons or other weapons of mass destruction, install such weapons on celestial bodies or station such weapons in outer space in any other manner. The treaty prohibits the establishment of military bases, installations and fortifications, the testing of any type of weapons and the conduct of military maneuvers on the moon and other celestial bodies. These statements regarding the complete demilitarization of satellites and other celestial bodies were developed and made more specific in the UN-drafted agreement on the moon, which was initiated by the USSR and approved by the UN General Assembly in 1979.

Another beneficial measure to limit the military use of space was the Soviet-proposed 1977 convention prohibiting the use of means of influencing the environment for military or other hostile purposes. Its signatories pledged that they would not deliberately control natural processes to destroy, harm or injure any other states. The agreement extends to methods of influencing the atmosphere for military purposes and prohibits the use of space to change the earth's environment. Article II of this document contains the explanation that the term "means of influencing the environment" signifies any means of changing--through the deliberate control of natural process--the dynamics, composition and structure of the earth, including its biosphere, lithosphere, hydrosphere and atmosphere, or outer space.

Important provisions aimed at limiting military activity in space are recorded in the Soviet-U.S. strategic arms limitation agreements of the 1970's. The ABM treaty, the SALT I agreement and the SALT II treaty (if it had been implemented) limit the number of ICBM launchers, ballistic missiles, submarines (SLBM's) and antimissiles on both sides. This also places physical limits on the means of using space for military purposes. The agreements also record some qualitative restrictions pertaining to specific military space vehicles. In accordance with the ABM treaty, for example, the USSR and United States undertook not to develop, test or deploy space-based ABM components or systems, and the SALT II treaty envisaged a similar pledge with regard to the means of putting nuclear weapons or any other weapons of mass destruction in orbit around the earth, including semiorbital rockets.

The conclusion of these agreements brought about the complete demilitarization and neutralization of celestial bodies and limited the use of outer space for military purposes. These limitations will not be complete, however, until an effective international legal barrier is erected to impede all attempts to militarize space. The abovementioned agreements do not exclude the possibility of placing weapons which do not fall into the category of "weapons of mass destruction" in space.

With a view to this, the USSR has taken steps in other areas to further restrict the possibilities for the military use of space, thereby progressing, step by step, toward its complete demilitarization. In particular, Soviet-U.S. talks on anti-satellite systems were conducted in 1978 and 1979, but they were broken off by the American side.

With the active participation of the USSR and other socialist countries, questions connected with the demilitarization of space and the prevention of an arms race in outer space were discussed at the first special session of the UN General Assembly on disarmament (1978). "To prevent an arms race in outer space," the final document of the session states, "further measures must be taken and the appropriate international negotiations must be conducted in accordance with the spirit of the treaty on the principles of the activity of states in the exploration and use of outer space, including the moon and other celestial bodies."<sup>1</sup>

In 1982 mankind will celebrate the 25th anniversary of the beginning of space exploration, one of the greatest achievements of science and technology. The successes of Soviet space travel are the common property of all men. The exploration of outer space has already produced great benefits in such areas as communications, the study of earth's natural resources, meteorology, navigation and many others. The abovementioned 1967 treaty on outer space recorded a broad group of principles by which states should be guided in the use of outer space for peaceful purposes. This treaty and later international agreements concluded at the initiative of the USSR and with its active participation--agreements on the rescue of astronauts, on liability for damages caused by space vehicles and on the registration of space objects in the United Nations--should establish reliable international legal order in space research and exploration.

Within the framework of the UN committee on the use of outer space for peaceful purposes, the Soviet Union is seeking a fair solution, in the interests of all states, to legal problems arising in connection with such uses of outer space as direct television broadcasting and the study of earth's natural resources from satellites and the establishment of the boundary between the atmosphere and outer space. The use of space for practical terrestrial needs was discussed at the second special UN conference on the use of outer space for peaceful purposes in Vienna in August 1982. Scientific and technical cooperation in this area is being conducted on a multilateral (through the United Nations and other international organizations) and a bilateral basis.

The socialist states are engaged in particularly close and varied cooperation in space exploration. Important research was conducted on Soviet space stations and vehicles by representatives from nine socialist countries in cooperation with Soviet cosmonauts in accordance with the Intercosmos program. Flights by Indian and French astronauts on Soviet spaceships are being planned. People of good will have fond memories of the Soviet-U.S. cooperation in peaceful space exploration, particularly the joint Soyuz-Apollo flight.

## II

New possibilities for the use of outer space for constructive scientific purposes come to light each year. Today the peaceful exploration of space is one of the most important global problems whose resolution will require the concerted effort of the entire world community, truly gigantic scientific and technical resources and the intellectual potential of many peoples and states. This makes it all the more important that activity in outer space not be used for preparations for war and aggression.

However, it is precisely this path, the path of turning space into a new sphere of the arms race, that has been chosen by U.S. ruling circles. After resolving to achieve military superiority to the USSR, Washington has been paying closer attention in recent years, particularly since the beginning of the Reagan Administration, to the development and production of fundamentally new types and systems of weapons and the "exploration" of new areas of their potential use. In particular, American strategists are taking much more interest in the possibility of expanding the military use of outer space and of developing a new generation of space combat systems and deploying them in space. They hope that a "breakthrough" in the technological sphere--this time in the area of military space technology--will put the United States ahead of the Soviet Union, change the military balance in favor of the United States and guarantee it a dominant position, both in outer space and on earth. "Whoever takes the lead in space will gain overwhelming strategic superiority on earth,"<sup>2</sup> remarked U.S. NEWS AND WORLD REPORT, revealing the cherished hopes of the most aggressive American imperialist circles.

The influential American magazine FOREIGN POLICY has also surmised that the development of effective space-based antisatellite and antimissile systems will represent an instrument of "strategic blackmail" and a decisive means of winning a war "with one strike."<sup>3</sup> The head of the NASA space program division, T. Pfister, has said: "Space exploration was stimulated by the interest of the military establishment, and it has no intention of giving up the advantages it promises." The same opinion was expressed by General D. Graham, the former chief of U.S. military intelligence who was President Reagan's campaign adviser on national security matters: "Much of our military potential will eventually be located in space. The space shuttle will bring this day closer."<sup>4</sup>

It is no coincidence that the U.S. space program has been redesigned in the Pentagon's interest. Its expenditures on military space research far exceed the NASA budget, although it is known that many research and development projects financed by NASA are also used in military programs. According to NEWSWEEK, the Pentagon plans to spend 5.8 billion dollars on military space research just in 1982, excluding around 3 billion dollars allocated for secret military space programs. Most of these funds will be used in the development of new types of space weapons and an entire arsenal of military devices to be used for aggressive action directly in space and for the destruction of targets on the ground and in the air from space.

The Pentagon is now concentrating on perfecting the new space transport system, the space shuttle. The first launching of this kind of vehicle, the "Columbia," with two astronauts on board, took place in April, and the second was in November 1981. The shuttle program is being subordinated more and more to the interests of military agencies and is being financed by them. The original sum of 5.1 billion dollars allocated by NASA for the development of the "Columbia" was considerably supplemented by Pentagon budget funds, as a result of which the total cost of the launching program exceeded 10 billion dollars. In an attempt to convince the U.S. legislators, taxpayers and public of the need for such expenditures, Washington has spread the standard rumors about "Soviet military superiority in space."

The shuttle is to be used for the creation of orbital military stations, which will be manned by 10-14 individuals and should function permanently as space-based

command points (in addition to the aircraft used for these purposes) and reconnaissance stations for the observation of objects on earth, in the air and in space.

The possibility of using the shuttle for the deployment of antiaircraft and antimissile defense systems, equipped with laser and radiation weapons, is also being considered. There have been reports, for example, of extensive and costly projects involving chemical pulse-action lasers and radiation weapons based on the use of the charged particles emitted by low-power nuclear explosions. Particularly great hopes have been placed in the laser, which would be more effective in space than on earth. Plans call for the use of space-based laser equipment not only against intercontinental ballistic missiles and satellites but also against aircraft, radar installations on earth and submarines. According to the CHICAGO TRIBUNE, the American military establishment hopes to place laser guns in space by the end of the current decade, and radiation weapons by the end of the current century. Plans have also been made for the deployment of nuclear weapons on space stations to deliver strikes against terrestrial targets.

The shuttle is to be used in the launching of relatively cheap, larger, heavier and technically perfected satellites, including attack space vehicles for diversionary actions in space. Plans also envisage space-based "space mines" (antisatellites filled with conventional explosives) and "killer satellites" for the destruction of "enemy" space objects with the aid of laser weapons or homing missiles. Some American strategists have dreamed of putting some kind of space bombers, equipped with nuclear missiles and bombs, in orbit.

According to reports in the American press, U.S. military circles are discussing the possibility of using the shuttle to conduct "inspection operations" of foreign satellites, to cause them to malfunction, to "knock" them off orbit and even to return them to earth in the shuttle's cargo bay. It is true that some foreign experts regard these plans as technically impracticable, but something else is indicative in this context: the line of reasoning of the particular U.S. circles which are obviously not averse to declaring not only immense regions on earth but also certain areas of outer space "spheres of vital American interests" and taking on the functions of a self-appointed "space policeman."

The Pentagon's plans to extend the arms race into outer space are also attested to by the establishment of a space administration as part of the U.S. military establishment.

Many foreign specialists have correctly pointed out how the world strategic situation would be destabilized by the development and deployment of effective space-based combat systems for the destruction of satellites and ballistic missiles and the disruption of antiaircraft and antimissile systems. Space-based weapon systems of this type can only be viewed as an element of "first strike" potential. The dangerous consequences of the creation of space-based ABM systems, for example, are discussed in the 1981 yearbook of the Stockholm International Peace Research Institute. The supplementation of strategic offensive weapons with this type of antimissile system, the yearbook stresses, is connected with the strategy of delivering the first nuclear strike.<sup>5</sup> It is no coincidence that the space-based ABM systems are to be located in such a way as to provide reliable cover for the launching facilities of the new American MX missiles. This particular function of

the ABM system is mentioned, for example, in an official report which was prepared by the Los Alamos Laboratory at the Pentagon's request and contains an analysis of existing and "advanced" ABM systems.

### III

Now that mankind is facing the prospect of a new and extremely dangerous round of the arms race, during which this race will spread to outer space, the USSR is proposing the only reasonable alternative--a ban on the deployment of weapons of any type in space and the preservation of space for exclusively peaceful use.

Realizing the increasing danger of the plans to militarize space and turn it into a sphere of military confrontation, the USSR set forth an important initiative in 1981: It proposed that the agenda of the 36th Session of the UN General Assembly include the question of concluding a treaty to ban the placement of weapons of all types in outer space. In a letter addressed to the UN secretary general, Soviet Foreign Minister A. A. Gromyko stressed that the Soviet Union wants space to remain free and clear of all types of weapons forever and does not want it to become a new arena of the arms race and a source of friction between states. The Soviet Union feels that an international treaty to prohibit the placement of weapons of any type in outer space would help in the attainment of these goals. At the same time, the Soviet delegation submitted a draft treaty of this type to the General Assembly for discussion. According to the draft, the signatories would pledge not to place objects carrying weapons of any type in orbit around the earth, not to establish such weapons on celestial bodies and not to deploy them in space in any other manner, including their placement on space shuttles of the existing type or any other type that might be developed by signatories in the future (Article 1). The treaty stipulates that signatories will not destroy, harm, disrupt the normal functioning or change the flight trajectory of the space objects of other signatories if these objects have been put in orbit strictly in accordance with established requirements (Article 3). According to the Soviet draft, the use of space objects by signatories would be governed by the principles of international law, including the UN Charter, in the interest of world peace and security and the development of cooperation and mutual understanding (Article 2).

The use of national technical means of control in a manner corresponding to universally accepted standards of international law is proposed as a way of ensuring the observance of treaty provisions. Each signatory should pledge not to impede the functioning of the national technical means of other signatories performing their functions according to established requirements. To promote the goals and provisions of the treaty, signatories will consult with one another when necessary and exchange information on request (Article 4). The treaty is to be in effect permanently.

The implementation of the new Soviet proposal on the non-deployment of weapons in space would prevent the militarization of space and the use of space for military purposes and would simultaneously expand the dimensions of international cooperation in the use and exploration of space for peaceful, constructive purposes.

The Soviet initiative aroused great interest and won considerable support at the 36th Session of the General Assembly. Of course, the attitude toward it in the

United Nations was not, and could not have been, unanimous. The discussion of the Soviet draft led to heated debates. Delegations from the socialist and developing states and some Western countries noted the great importance of the Soviet initiative in the efforts to reduce the danger of nuclear war and curb the arms race. Only the U.S. delegation tried to oppose the inclusion of the Soviet proposal in the session agenda and prevent its discussion, obviously in the hope of influencing the position of other states which must depend on Washington to a greater degree, but it failed.

The representatives of several states expressed concern about the possible negative effects of the extension of the arms race to outer space on the cause of peace and the security of all states and stressed the need to exclude this possibility. Many speakers directed attention to the urgent need for legal standards and new agreements to prevent competition in the development and deployment of various types of weapons in space.

The Soviet proposal of a treaty banning the deployment of weapons of any type in space was supported by the socialist states at the session. "We view this as a new opportunity to prevent the outbreak of nuclear war and impede, on the basis of international law, the territorial spread of weapons," stressed GDR Foreign Minister O. Fischer. Bulgarian Minister of Foreign Affairs P. Mladenov declared that the Soviet proposal "will serve the purpose of limiting the arms race." "We, just as all peace-loving countries," said CSSR Minister of Foreign Affairs B. Chnoupek, "are exceptionally interested in ensuring that space never becomes a new arena of the arms race." According to Polish Minister of Foreign Affairs J. Czyrek, the conclusion of this kind of treaty would be "a significant restrictive measure." As Hungarian Minister of Foreign Affairs F. Puja said, his country applauds the Soviet proposals on disarmament, including the recent proposal "On the Conclusion of a Treaty To Ban the Placement of Weapons of Any Type in Outer Space," included in the session agenda. Noting the timely nature of the Soviet draft, Mongolian Minister of Foreign Affairs M. Dugersuren said that "taking action on this initiative will strengthen existing international instruments keeping space from being turned into an arena of the arms race." Lao Minister of Foreign Affairs P. Sipaseut expressed satisfaction with the new proposals submitted by the Soviet Union for UN discussion and said that they are intended to exclude the arms race from space.

There were lively responses to the Soviet initiative and approval of it from the non-aligned states. "The Soviet delegation," the representative from India said, "has correctly directed attention to the danger of an arms race in outer space." "We also support," the delegate from the PDRY said, "the proposal of an international treaty to ban the placement of weapons in outer space. We feel that this confirms the unanimous wish that outer space be free of military competition and become a sphere of peaceful activity and cooperation between states." Supporting the new Soviet initiative with regard to the demilitarization of space, Afghan Minister of Foreign Affairs S. M. Dost stressed that "this treaty will be a reliable obstacle to an arms race in outer space, which could have unforeseen consequences." The delegate from Ecuador noted that "outer space should have only peaceful dimensions" and that his side "will resolutely support any resolution aimed at avoiding the use of outer space for military purposes."

Pointing out the urgent need to take measures to prevent an arms race in space and conduct the necessary talks for this purpose, the representative from Finland said:

"We applaud the Soviet Union's recent initiative and the possibility it holds out for the further discussion of the need to secure space exclusively for peaceful purposes." According to the representative from Sweden, this country "is interested in the recent Soviet proposal of a ban on the placement of weapons of any type in outer space."

The Soviet approach to the ban on space weapons was supported by some politicians in the United States, who are disturbed by the destabilizing effect of space militarization on international relations. For example, in an article in the INTERNATIONAL HERALD TRIBUNE, former Secretary of State D. Rusk discussed the need to move ahead in the conclusion of an agreement to prevent the deployment of any type of weapon in space.

A number of statements mentioned the special role and responsibility of two "space powers"--the USSR and the United States--in the prevention of an arms race in space and appealed to them to discuss this exceptionally important problem and agree on a solution. According to the Australian representative, his country would be pleased by the conclusion of additional agreements for the use of outer space only for peaceful purposes and believes that "the most promising approach to the settlement of this vitally important problem would be the resumption of bilateral talks between the two states possessing the appropriate technology. The delegate from Ireland spoke in favor of the efforts to prevent the arms race from spreading to outer space and called upon the USSR and United States to "begin discussing the matter without delay."

With a view to the widespread support the new Soviet proposal received from the international community inside and outside the United Nations, representatives from some NATO countries also spoke in favor of measures to limit the military use of outer space. Speaking on behalf of the EEC countries, the delegate from Great Britain said: "Technical progress has expanded the possibilities of military activity by extending it to outer space. The 'Ten' attach great significance to the prevention of an arms race in space." The representative from the Netherlands remarked that the time had come long ago to seriously consider further measures to guard "outer space against an arms race.... We acknowledge that the issue of arms control in space is a complex and increasingly significant one."

At the same time, obviously in an attempt to impede the businesslike, constructive discussion of the Soviet proposals, the American representative in the First Committee, Director E. Rostow of the U.S. Arms Control and Disarmament Agency, tried to justify Washington's plans to launch a race for space weapons and to blame the Soviet Union for the lack of progress in arms control in space. Resorting to the standard propaganda ruse, he employed the intimidating threat of "Soviet attacks on the satellites of other states." Rostow tried to reduce the entire multifaceted and complex problem of keeping the arms race out of space to the partial, although important, question of land-based antisatellite systems. However, the American representative did not say a word about the fact that it was precisely the United States which had broken off the Soviet-American talks on the limitation of anti-satellite systems and had never displayed any interest in resuming these talks since that time.

When the report of the UN committee on the peaceful use of outer space was discussed in the Special Political Committee, many delegations (from Austria, Indonesia,

Brazil, Sweden, Ecuador, Madagascar, Nigeria, Iraq, Uruguay and Sierra Leone) not only pointed out the serious danger of the extension of the arms race to outer space but also associated the prospects for its peaceful exploration directly with the prevention of its militarization. For example, the delegate from Vietnam supported the Soviet draft treaty and stressed that if the Pentagon's plans to create space stations and vehicles armed with laser and other weapons are carried out, "the arms race in space will become a serious obstacle in the peaceful relations between states and a serious threat to peace and security."

The representative from Austria stressed that "the peaceful use of space can only be productive if this sphere of human activity is used exclusively for peaceful purposes." The delegates from Sweden and Brazil called for concrete steps to keep space from turning into a new region of hostilities.

After all of the debates, the UN General Assembly approved, by an overwhelming majority, a resolution supporting the Soviet proposal on the conclusion of a treaty to ban the placement of weapons of any type in outer space. The resolution was supported by 123 states (socialist, non-aligned and some Western states). No one voted against it, but 21 delegations abstained (including the United States, other NATO countries, Australia, Japan and Israel). The resolution says that the General Assembly, hoping to prevent outer space from becoming an arena of the arms race and a source of friction between states, "feels that the appropriate international treaty should be concluded so that effective measures can be taken to keep the arms race from spreading to outer space" and "asks the Disarmament Committee to organize talks on the text of this treaty."<sup>6</sup>

It is one of the international community's most important duties to exclude the possibility that space will become a source of military danger to states, which will be the unavoidable result of the saturation of outer space with various weapons. It was precisely this noble goal that the Soviet Union was pursuing when it submitted its proposal on the prohibition of weapons in outer space to the United Nations.

The broad support the Soviet proposal gained at the 36th Session of the General Assembly and the adoption of the resolution calling for the drafting of this kind of treaty in the Committee on Disarmament represent a tremendous and positive UN contribution to the resolution of a problem of truly permanent global significance. Delegates from all states represented in the committee now have a clear and concise document expressing the intention to take a serious and businesslike approach to the prevention of an arms race in space and the conclusion of the appropriate international agreement.

The discussion of the Soviet proposal in the United Nations and the decision adopted in this connection have once again provided clear evidence of the USSR's role as the vanguard in the struggle for arms limitation and disarmament. The discussion at the 36th Session of the General Assembly once again demonstrated the Soviet Union's constant willingness to conduct talks--businesslike, honest talks on an equal basis--on any way of curbing the arms race, and our country's determination to attain constructive agreements on the demilitarization of space for the purpose of eliminating the threat of war and consolidating peace on the planet.

FOOTNOTES

1. Doc UN A/Res/S-10/2, p 11.
2. U.S. NEWS AND WORLD REPORT, 27 July 1981, p 46.
3. FOREIGN POLICY, Fall 1981, p 99.
4. NEWSWEEK, 27 April 1981, p 19.
5. "World Armaments and Disarmament. SIPRI Yearbook 1981," London, 1981, p XXIV.
6. Doc UN A/Res 36/99.

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## UNITED STATES SEEKS MILITARY BASES, IDEOLOGICAL, ECONOMIC INFLUENCE IN AFRICA

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 82  
(signed to press 1 Jan 82) pp 25-37

[Article by Ye. Tarabrin: "Africa in the Global Strategy of Imperialism"]

[Excerpt] III

The monopolistic press and the military and political leaders of the NATO states are constantly referring to the "strategic significance" of Africa for the West's "defense." Different versions of this story mention different aspects of this "significance," such as the natural resources of the continent, its position as a connecting link between Europe, the Middle East, Asia, the Mediterranean and the Indian and Atlantic Oceans, the presence of the waterways surrounding Africa--the West's "vital arteries," the convenient ports and naval bases and, finally, the convenient strategic location of some African states.

All of these references and others like them, accompanied by the old refrain about the "Soviet threat," have a single purpose: They are supposed to substantiate the need for Africa's inclusion in imperialism's militaristic plans.

Of course, it would be impossible to carry out these plans officially. The obstacles are the membership of all the liberated countries in the movement for non-alignment and the reluctance of the overwhelming majority of these countries to become involved in imperialism's military adventures. The futility of the attempts to legalize NATO's presence in Africa was demonstrated as early as the Zaire events of 1977 and 1978. However, imperialism, especially the American variety, did not want to give up the idea of using the territory of the young independent states in its own strategic intrigues and resolved to find other methods of doing this. Several methods were chosen: the creation of military bridgeheads and something like strategic support points in various parts of Africa, the saturation of countries headed by pro-Western regimes with weapons in quantities obviously exceeding their defense requirements, and the engineering of military "mini-blocs" under the aegis of the NATO countries and with the aid of existing economic associations. We will discuss just the first of these methods in greater detail because it is the most indicative and the most dangerous in terms of its consequences.

The United States has taken the most overt steps in this direction. "As soon as the monopolies need someone else's oil, uranium and nonferrous metals, the Middle

East, Africa and the Indian Ocean are declared a sphere of U.S. 'vital interests.' The U.S. military machine is energetically forcing its way into the region and plans to stay there a long time. The Island of Diego Garcia in the Indian Ocean, Oman, Kenya, Somalia, Egypt--what next?" L. I. Brezhnev said in his report to the 26th CPSU Congress..

In the last year Washington has been quite active in this part of the world, especially in northeast Africa. This region has been included in the "third central strategic zone" of the United States (the two others are Western Europe and the Far East). Relying on the separate Camp David agreements and Egypt's fragile alliance with Israel, the United States has begun to set up its own outposts in northeast Africa. It is relying most on Egypt, where the American armed forces have been allowed to use naval bases (Cairo-West and Qena) and where a new base is being built in Ras Banas (on the coast of the Red Sea). Plans call for the construction of American military facilities in the region of the Farafra oasis, near Mersa-Matruh (on the Mediterranean coast) and in the El Alamein region. All of these facilities are designated for the Pentagon's "rapid deployment force," to support its military actions against national liberation movements and the sovereign states of Africa and the Middle East.

In addition to Egypt, Sudan, Kenya, Somalia and Oman are also being drawn into the sphere of U.S. militaristic actions. Groups of American military forces are settling in these countries and support points are being established for the Pentagon. The maneuvers codenamed "Bright Star" and involving around 10,000 soldiers from the United States as well as Egypt, Sudan, Somalia and Oman, numerous combat planes and warships in November and December 1981 were an impressive show of U.S. "military presence" in Africa.

This provocative action, which was protested by many countries, including Arab and African states, has already been discussed in numerous publications. Several important conclusions were drawn, virtually unanimously, by all sensible authors. The first was that Washington's references to the "Soviet threat" as a pretext for these maneuvers (General R. Kingston, the commander of the "rapid deployment force," frankly admitted that this was "the American response to the Soviet challenge") deliberately distort the truth for the purpose of covering up Washington's real plans. The second was that this U.S. action was supposed to justify the U.S.-Israeli agreement on "strategic cooperation" in the Arab world. The third was that the real purpose of the maneuvers was preparation for the occupation of oil-producing countries in the Persian Gulf zone, which the White House has declared a "zone of U.S. vital interests." These conclusions are obviously correct.

The second African region where the United States is intensively establishing strategic bridgeheads with some degree of participation by other imperialist powers is the south of the continent. Here Washington is backed up primarily by the racist South African regime, which is despised throughout Africa and already possesses impressive military and economic potential. The imperialist powers have long been going against the protests of the world public and even against UN resolutions by strengthening their ties with Pretoria. President Reagan made an indicative statement about this in a televised speech in March 1981: "Can we abandon a country which has supported us in all wars, a country of such great strategic importance to the free world?"<sup>5</sup>

It is true that American imperialism has colossal interests in South Africa. Direct American investments in the South African economy exceed 2 billion dollars. At least 350 U.S. monopolies have branches in South Africa and employ around 100,000 people. Americans own 25 percent of the stock in all of the country's gold mining enterprises, and around 6,000 firms are trading with South Africa. More than one-third of the United States' imports of chromium ore, antimony, vanadium and metals of the platinum group come from South Africa and, in all, 37 minerals necessary in today's production are imported from this country.<sup>6</sup>

Imperialism's strategic interest in South Africa is justified by means of the same old "communist threat," and this reference takes in the independent states of the continent and the Indian and Atlantic basins. There are constant reminders of the fact that more than 60 percent of all oil shipments have to sail around the Cape of Good Hope.

In their African policy, the imperialist powers constantly have to choose between stronger relations with the liberated countries or with the racists in the south. The West twists and turns in its attempts to combine the incompatible but it does not "abandon" the racists. As for the United States, the previously mentioned C. Crocker unequivocally said at the abovementioned Senate hearings that "our political relations with Africa should be subordinate to our own interests, both global and regional." He then went on to say that "the present administration has resolved to map out a policy in southern Africa which will consolidate our interests and leave no possibilities open to our opponents."

The plans to establish a strong imperialist bridgehead in southern Africa also extend as far as the racist-occupied territory of Namibia. This is the reason for the deadlock in the settlement of the Namibian problem and South Africa's aggression against Angola on the pretext of "prosecuting SWAPO partisans." It was no coincidence that the Johannesburg SUNDAY TIMES published a memorandum on Crocker's talks with the South African foreign and defense ministers, quoting the following statements by him: "It is our opinion that South Africa has no military need to vacate Namibia within the near future. This is a decision that will have to be made by the South African Government and there must be ways of calming its fears."<sup>7</sup>

The establishment of an imperialist bridgehead in southern Africa actually signifies the following: the modernization and reinforcement of the Pretoria regime's armed forces with the aid of Western advisers, consultants and specialists; the provision of South Africa with modern military technology and special equipment; the technical improvement of naval bases and ports--Simonstown, Richards Bay, Durban, Port Elizabeth, Cape Town, Salisbury Island and Walvis Bay (in Namibia); the inclusion of South African military facilities in the system of NATO communications, etc.

Of course, the inclusion of South Africa in imperialism's military plans is not connected with the imaginary "communist threat." A look at all of the statements made in this connection by Ronald Reagan and members of his administration indicates that they believe that the creation of a support point in southern Africa is "vitally necessary" to the preservation of the United States' leading role in the capitalist world, although this is camouflaged with references to the need to defend "Western democracies."

The implementation of imperialism's strategic plans for Africa will require the appropriate political and ideological support and the creation of the kind of "climate" that will give the imperialist states, their military establishments and multinational corporations a free hand on the continent. Although imperialist states have the same final goals, they are taking different approaches and using different methods of attaining them. The struggle "over basic aspects of the foreign policy line of the capitalist countries," pointed out at the 26th CPSU Congress, is growing more intense in Africa. For example, whereas Washington's African policy is now based on the thesis that all of the events occurring on the continent are not motivated by the desire of the liberated countries to put an end to all remaining traces of colonialism and racism and to escape the clutches of neocolonial exploitation, but simply by the "struggle" between the USSR and the United States, ruling circles in Western Europe hold a different view.

President Reagan, for example, still adheres to the view he was already expressing in 1976: "The African problem is a Russian gun pointed at us.... I am personally quite interested and usually frightened by what happens in Africa."<sup>8</sup> In June 1981 the American administration broached the idea of "replacing France" in some African countries, apparently because the White House feels that the former mother country is not "firm" enough. President F. Mitterand responded to this in a BBC interview on 9 September 1981 by saying that the United States tends to view the developing countries only in terms of their strategic military value, displays no interest in the needs of the young states and is striving for closer relations with South Africa. These and other similar statements testify to the exacerbation of inter-imperialist conflicts and indicate that the contracting sphere of imperialist influence is growing too crowded for the neocolonizers. In contrast to the United States, the former mother countries and the FRG regard the African continent not as a "zone of confrontation" with the Soviet Union, but as a region which should produce an "uninterrupted" supply of raw materials, as a sales market and, of course, as a "zone" which can be "divided" through concerted effort and "conquered" independently.

Nevertheless, even if the factor of inter-imperialist competition in Africa is taken into account, there is some similarity in the actions of the Western powers, particularly their attempts to influence the Africans ideologically and to subject the liberated states to economic pressure for the purpose of making them more compliant. For example, anticomunism and anti-Sovietism are being vigorously cultivated in the countries of this continent and pressure is being applied to the independent states which have chosen the socialist path of development. The actions of the United States in this sphere quite clearly demonstrate that its ideological expansion and foreign policy moves are all part of a definite system and are not at all chaotic or spontaneous. This is attested to by U.S. actions such as the military provocation against Libya which set Egypt and Sudan in opposition to this country; the establishment of military cooperation with Somalia and the provision of this country with larger weapon shipments, which have naturally encouraged Mogadishu to take hostile actions against Ethiopia; the actual support of the South African invasion of Angola and the use of the veto in the UN Security Council during the discussion of this matter on the pretext of "maintaining neutrality"; the tacit approval of the racists' aggressive attacks on Mozambique.

The Reagan Administration's statement that the national liberation movements are identical to "international terrorism" and the revolutionary democratic governments are "terroristic" has already entered history. It is true that some Western researchers are inclined to regard this thesis as another "political paradox" and a symptom of the "incompetence" of the present U.S. rulers. But is this the case? After all, if we consider the content, and not just the wording, of this thesis, we can see that this is nothing other than a reincarnation of the imperialist doctrine of "counterinsurgency," which, as France's LE MONDE DIPLOMATIQUE remarked, consists of any military, political or economic means that can be used "for a general victory over the national liberation movements."<sup>9</sup> Now, in contrast to the 1960's, this doctrine is part and parcel of imperialism's global strategy, if for no other reason than the fact that its main new element, the "rapid deployment force," has not aroused any principled objections in NATO circles.

The ideological attack on countries which have chosen the socialist path of development is now being waged on a broad front but it is more subtle than it was during the mid-1960's. One of its central components is the attempt to convince these countries that the industrially developed capitalist states and African countries share "common views" on democracy, that there is a "conflict" between "democratic thinking" and Marxist-Leninist doctrine and that Marxism is "alien to democracy" and therefore cannot "put down deep roots" in Africa.

The myth about the "antidemocratic nature" of Marxist-Leninist ideology is not new and was refuted long ago by the entire course of history. The myth has now been revived to undermine the bases of socialist orientation and to separate the countries which have chosen this path from their natural allies--the USSR and other socialist states. In essence, this is the same old anticomunism and anti-Sovietism in a new package. The apologists for neocolonialism are striving to prove the futility of socialist orientation as such and the invalidity of the very idea of socialist construction in the African countries, particularly because their development would be impossible "in principle" without considerable economic assistance from the capitalist states and their foreign policy represents simply a "balancing act between East and West."<sup>10</sup>

Imperialism has mobilized its powerful mass media to solve its political and economic problems in Africa and to attain its ideological goals. The American ASSOCIATED PRESS and UNITED PRESS INTERNATIONAL agencies, England's REUTER and FRANCE PRESSE still dominate the African news market. Up to 90 percent of the news transmitted in the liberated countries passes through their channels. As prominent English journalist A. Smith remarked, "spiritual exports" from the West heighten the dependence of these countries because they serve as the "ideological prerequisite" for material exports.

A similar situation has taken shape in the sphere of radio broadcasting in Africa. The delegate from Benin at the 21st Session of the UNESCO General Conference said in this connection that the four main Western radio stations are operating freely in Africa "while the Voice of the Benin Revolution and other African stations are technically underdeveloped. Africa is being bombarded and filled with information which it has not chosen and does not control."<sup>11</sup> It is indicative that African news represents only a negligible portion of the total flow of information. For example, an analysis of the content of AP broadcasts indicated that 47 percent of

the news was from the United States, 16 percent was from Western Europe, 19 percent from Asia and only 4 percent from Africa.<sup>12</sup>

Television broadcasts and the television programs exported to the continent from the United States and Western Europe are also supposed to influence the thinking of the African people in the interest of imperialism. This applies equally to political broadcasts and to entertainment programs. In reference to the content of the Western entertainment programs broadcasted on African television, London's NEW AFRICAN magazine remarked that they are dictated by the strategy lying at the basis of the "information concept of the West" and "transmit standards and values whose sociopsychological impact can only be described as monstrous."<sup>13</sup>

An appropriate place in imperialism's global strategy in relation to Africa has also been assigned to the special services. For example, the WASHINGTON POST reported that Director W. Casey of the CIA published a secret directive called "The Draft Operational Plan for Africa and the Middle East" on 9 May 1981. This broad and comprehensive program of subversive actions against sovereign states and national liberation movements envisages, in the newspaper's words, close cooperation by the CIA with "anticommunist groups and totalitarian regimes." In view of the fact that the CIA also works closely with the special services of other NATO countries,<sup>14</sup> the activities of the American espionage agency represent an integral part of imperialism's policy in the developing countries.

The problem of establishing a new international economic order is probably the main concern of the liberated countries and a particularly pressing problem in Africa. In its approach to this problem, imperialism has been exerting the strongest political and ideological pressure on the countries of this continent. This matter has been discussed in detail in Soviet scientific literature.<sup>15</sup> Therefore, we will discuss the latest events reflecting the forms, means and methods used by the imperialist "rich North" to bring the developing "poor South" to its knees.

The past year was full of various international undertakings which were partially or completely devoted to this problem. The prospects for economic cooperation between the southern countries were discussed in May (Caracas); the seven leading capitalist states--the United States, the FRG, Japan, France, Great Britain, Canada and Italy--had their annual meeting in July (Ottawa); a UN conference on the least developed countries was held in September (Paris); an "international meeting on cooperation and development" was held in the Mexican resort town on Cancun in October and was attended by more than 20 representatives (heads of state and government) of the industrially developed capitalist states, some developing countries and Yugoslavia and the PRC. At the same time, the consultations which began around 2 years ago on the organization of "global talks" for the reorganization of international economic relations continued at UN headquarters. Therefore, there were more than enough meetings, discussions and conferences, but the problem still exists. The so-called "North-South" dialogue has actually been at a standstill since 1974. In New York, for example, the sides could not even agree on the agenda or on the procedural aspects of the projected UN-sponsored "all-encompassing talks."

There were many reasons for the negative results of all the 1981 forums, just as those of preceding years. But the main reason is that Washington and its allies do not want the new international economic order to be based on the proposals and

demands of the developing countries. On the contrary, the West wants to enmesh its negotiating partners "from the South" in endless discussions and to take advantage of the deteriorating economic conditions in the developing countries to impose its own economic, political and ideological conditions on these countries. Of course, even in this area the United States and the other imperialist states are not in complete agreement. Commenting on the Ottawa meeting, the NEW YORK TIMES remarked: "The Europeans announced that it is best to deal with the Third World through diplomatic and economic channels and that military strength should be only a minor consideration. In Washington's view, however, the military component is acquiring increasing importance."<sup>16</sup>

However, these and other differences, stemming from the competition between imperialist centers, are concerned primarily with methods, and not with goals. European imperialism does not favor "firm confrontation" with the developing countries but it does not intend to give up its positions either, and certainly not voluntarily. We must not forget that the economic aspects of imperialism's present global strategy, including those elements which apply to Africa, are determined less by any particular Western government than by multinational corporations. These corporations, backed up by the full support of their governments, ultimately decide the forms and methods of economic relations with the developing countries, and it is no secret that the multinational corporations operating from the United States hold the dominant position among the international monopolies.

The West has informed its negotiating partners of three basic demands, more or less in the form of an ultimatum: a) The matter should be handled only by "specialized institutions," such as GATT (General Agreement on Tariffs and Trade), the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), instead of the United Nations; b) broad-scale business relations should be established with the multinational corporations because only they are "capable" of alleviating the economic difficulties of the developing countries; c) the production and distribution of resources should be based only on the principle of a "free market economy."

These demands were heard at the meeting in Cancun. They were set forth even earlier by U.S. Under Secretary of State for Economic Affairs M. Rashish in a NEW YORK TIMES interview.<sup>17</sup> His arguments warrant thorough investigation because they are characteristic of imperialism's strategists in this area. Rashish began by saying that the economic growth of the Asian, African and Latin American countries depends on their creation of "a large volume of wealth, and not on the division of existing resources," suggesting that their proposals were "an instrument to take resources away from the rich and give them to the so-called poor" and a "'pedantic' approach to fair and equal distribution." Later, after stipulating that development is not a "free lunch," the "leading architect of the administration's foreign economic policy" (this is what the newspaper called him) literally demolished all of the demands of the developing countries and set forth the West's counterdemands. At the end of the interview, M. Rashish strongly advised the liberated states to become "full and active partners" of the West instead of looking for privileges (Rashish resigned in January 1982).

We should add that it is precisely the IMF and IBRD that are now perhaps the main instruments of neocolonialism, and not only in the economic sphere. Both of these

international institutions base their relations with the developing countries, particularly the African states, on the terms of strict authoritarianism and unconcealed interference in their domestic and foreign policy. "There is growing indignation in Africa over the International Monetary Fund," France's JEUNE AFRIQUE reported. The reasons for this indignation are the categorical nature of IMF demands and the fact that "the states in which its recipes are put to active use generally undergo a sharp turn to the right, and the unrestricted liberalization of their economies takes the place of social plans."<sup>18</sup> In other words, the processes which occur fit in with the plans of imperialism's strategists.

## V

What is the reaction of the liberated African countries to imperialism's global strategy in general and its African strategy in particular and to the attempts of the United States and other imperialist powers to accomplish the political, economic, military and, ultimately, neocolonial integration of the liberated countries within the world capitalist system? The Africans themselves have provided us with answers to this question.

Of course, the liberated African countries are not equally opposed to the realization of imperialism's strategic plans. The intensity of their opposition is influenced by differences in their sociopolitical orientation, the conditions of their economic development, the degree of their dependence on the West and other internal and external factors. The neocolonial intrigues are opposed most consistently by the countries with a socialist orientation, and many "moderate" bourgeois regimes are also actively opposing imperialism. There are also some states in Africa which have betrayed pan-Arab and pan-African interests and are following in the wake of imperialist policy. However, and this should be underscored, the most odious manifestations of imperialist policy are unanimously opposed by almost all of the liberated countries, including those which usually avoid any kind of confrontation with the West.

The main problems uniting independent Africa and reinforcing its antagonistic conflicts with imperialism, especially the United States, are the liberation of the southern half of the continent, the eradication of inter-African conflicts and, naturally, questions connected with the establishment of the new international economic order and the struggle for economic independence and equality. The results of the latest, 18th Session of the Assembly of Heads of State and Government of the Organization of African Unity, held in Nairobi (Kenya) at the end of June 1981, are indicative in this connection. This meeting, which was preceded by the 36th Session of the OAU Council of Ministers, pointedly condemned U.S. policy in Africa, categorically denied the American statements accusing the national liberation movements of "international terrorism" and simultaneously described the South African Government as a terrorist regime in an official document (for the first time). The OAU Assembly's resolution on Namibia frankly said that the "diabolical alliance" between Pretoria and Washington is distinguished by hostility toward Angola, vigorous attempts to destabilize the situation in this country and a tendency to approach the Namibian problem from the standpoint of "global strategy."

The assembly adopted a number of other important decisions of an anti-imperialist nature. For example, it reaffirmed the solidarity of independent Africa with the

Arab people's struggle against Israeli aggression and for the restoration of the legitimate rights of the Palestinian Arabs. The African leaders asked the international community to take decisive measures against Israel, including the use of sanctions, and asked the African countries not to resume diplomatic relations with Israel. The assembly dismissed the Somali leadership's claims by declaring that Ogaden is part of Ethiopia. In connection with the campaign launched in the West against Libya, which gave military assistance to the legal government of Chad, the assembly recognized this country's right to turn to any state for aid.<sup>19</sup>

The anger over imperialist policy can be heard at pan-African forums and in individual African countries. For example, when President Shehu Shagari addressed the Nigerian people on 1 October 1981 on the 21st anniversary of the country's independence, he said: "With profound indignation we reject the association of our just concerns about independence and freedom with the struggle against communism. Nigeria asks the Western nations to see South African apartheid as what it really is--a ruthless system in which a racist elite is striving to conjure up the specter of the communist threat and, with the aid of this cynical and mercenary strategy, enlist the support of the West for the purpose of the further enslavement of the black population."<sup>20</sup> These are impressive words! The president provided an accurate description of not only the racists but also the role of their direct and indirect patrons.

The liberated African countries do not and cannot have anything in common with the imperialists, who are toying with the fate of the world and escalating the arms race and international tension. Most Africans realize that there is a direct connection between the urgent needs of the present day--to prevent thermonuclear war, to curb the arms race, to effect disarmament and to continue detente--and problems in the development of the young independent states. This is why 76 prominent public and political leaders from the African countries sent an open letter to the Westerners attending the meeting in Cancun, in which they stressed that questions connected with the establishment of a new international economic order cannot and should not be discussed in isolation from such problems as the curtailment of the arms race and the consolidation of international peace and security.

The West's attempts to make the "North-South dialogue" confidential and to keep the United Nations out of the discussion of problems in the reorganization of world economic ties on a fair basis have evoked sharp objections in Africa. As the Algerian newspaper AL-CHA'AB noted just before the Cancun meeting, success could only be attained if the bases were laid for talks within the framework of the international community on all matters connected with the reorganization of these relations. The newspaper remarked that the main obstacle is the position taken by the United States, which is striving to impose its will on the developing countries and to use trade and economic relations with them to elude crisis.<sup>21</sup> In reference to this, the WASHINGTON POST noted with some alarm that "the small countries have rallied round the appeal for worldwide talks. In particular, Algeria (among others) regards the demand for worldwide talks as basic and is prepared to fight for this principle. If it does not succeed, it is prepared to bring about a deep rift between North and South in all areas."<sup>22</sup>

It would seem that there are virtually no problems on which the liberated countries and imperialism have been able to agree for any appreciable length of time. On the

contrary, their differences are growing. Imperialism's strategy in Africa, just as its global strategy, is undergoing a profound crisis. By using their strong economic positions, production potential and military superiority to back up their demands, the imperialists can still try to dictate their own terms to the liberated countries and force them to accept the imperialist model of international relations. But all they can do is try! Free Africa has entered the third decade of its existence. Forces capable of heading the struggle of the continent's people for real equality and social progress and against imperialist authoritarianism have been gathering strength in the last few years. These forces are not alone; they have the Soviet Union, other states of the socialist community and the world progressive public on their side. At the 26th CPSU Congress L. I. Brezhnev stressed that "the CPSU will continue its consistent efforts to develop cooperation between the USSR and the liberated countries and to reinforce world socialism's alliance with the national liberation movement."

#### FOOTNOTES

5. THE NEW YORK TIMES, 5 April 1981.
6. U.S. NEWS AND WORLD REPORT, 28 April 1980, p 43.
7. SUNDAY TIMES, 31 June 1981.
8. Quoted in AFRICA REPORT, July-August 1980, p 4.
9. LE MONDE DIPLOMATIQUE, April 1981, p 1.
10. "U.S. Interests in Africa. Hearings...", 1980, pp 314-315.
11. UNESCO, 21 CU/UR-10, p 8.
12. AFRIQUE-ASIE, 31 August-13 November 1981, p 52.
13. NEW AFRICAN, No 1, 1981, p 35.
14. According to the American CHRISTIAN SCIENCE MONITOR, "the United States and England share information to such a degree that they seem to be operating on the same information base" (CHRISTIAN SCIENCE MONITOR, 29 September 1980).
15. See, for example, M. Maksimova, "Some Problems in the Reorganization of International Economic Relations" (MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 9, 1980); P. Khvoynik, "World Capitalism and the Developing States" (ibid., No 10, 1980); I. Ivanov, "The Reorganization of International Economic Relations and Global Problems" (ibid., No 2, 1981); A. Chekhutov, "The Reorganization of International Economic Relations--A Vital Necessity" (KOMMUNIST, No 16, 1981).
16. THE NEW YORK TIMES, 26 July 1981.
17. Ibid., 7 August 1981.

18. JEUNE AFRIQUE, 1 July 1981, pp 11-12.
19. At the request of the Chadian Government the Libyan troops were soon withdrawn, which immediately led to the escalation of the conflict and the invasion of Chad by armed antigovernment groups operating from the territory of Sudan.
20. "National Day Broadcast Message to the People of Nigeria by Alhaji Shehu Shagari, President of the Federal Republic of Nigeria and Commander-in-Chief of the Armed Forces," 1 October 1981, p 8.
21. AL-CHA'AB, 22 October 1981 (in Arabic).
22. WASHINGTON POST, 21 October 1981.

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## NEGATIVE EFFECTS OF REAGANOMICS ANALYZED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 82  
(signed to press 1 Jan 82) pp 54-66

[Article by Yu. Chizhov: "Where Reagan's Program Is Leading the American Economy"]

[Text] The Republican administration of Ronald Reagan came to office at a time when there seemed to be some positive trends in the U.S. economy: At the beginning of 1981 production growth took the place of decline and there was a slight increase in employment and decrease in unemployment. Inflation, however, continued to escalate prices at an undiminished annual rate of 8-12 percent. For this reason, the new administration first concentrated on combating inflation, which seemed to be public enemy number one at that time, and one of its first measures in this area was the move to the "tight money" policy. The tendency toward lower interest rates, first apparent in the middle of 1980, was replaced by their renewed growth. This was done by the administration through the Federal Reserve System (FRS).

### The Achilles Heel of Reaganomics<sup>1</sup>

After dropping from 13 percent in March to 10 percent in August 1980, the FRS interest rate went back up to 13 percent in the beginning of 1981. This was followed by the dramatic rise of all other interest rates, particularly on mortgages and consumer credit. By fall of that year they reached 15-20 percent.

The idea behind the move to the "tight money" policy was that restrictions on credit expansion and more expensive credit would inhibit the rapid growth of demand noted in the first quarter of 1981 (at a rate of 8 percent) and thereby reduce its influence on prices.

This traditional method of monetary regulation has been used repeatedly in the past to hold prices down during periods of cyclical recovery and growth. When the economy is in the ascending phases of the cycle, some limitations of a credit and monetary nature do not have an appreciable effect on overall growth rates. It is another matter when the government institutes these limitations during periods of economic crisis or immediately afterward. Under these conditions, the "tight money" policy, which sets more rigid credit terms, slows down the investment process, reduces consumer demand for goods purchased on credit and decreases housing construction volumes. What is more, the higher cost of credit during these phases leads to a further rise in commercial prices to compensate for the lower profits of the industrial capitalist.

Therefore, instead of holding prices down, the "tight money" policy can hasten the arrival of economic crises and either heighten their intensity if they have already begun or effect the transition from recession to depression. This is precisely what happened in 1970 and in 1975, and the sharp rise in the cost of credit and institution of more rigid credit terms by the Carter Administration in March 1980 contributed considerably to the rapid decline of supply and demand levels. In this last case, all of this had a particularly strong effect on purchases of durable goods and on housing construction, which decreased by 25 percent and 22 percent respectively in the second quarter of 1980, during which time personal consumption as a whole decreased by 2 percent and total investments decreased by 10 percent.

How has the American economy reacted to the Reagan Administration's "tight money" policy? First of all, it turned out that the significant (8 percent) growth of the gross national product in the first quarter of 1981 was not the result of a cyclical reversal in economic conditions. At its basis lay a considerable increase in exports (13 percent), federal government purchases (14 percent) and sales of durable goods (22 percent).<sup>2</sup> Consumer purchases of other items, services and investments in housing construction did not increase appreciably during that period. For this reason, the government's measures to raise interest rates affected the dynamics of demand first. Consumer purchases of durable goods decreased from 137.5 billion dollars in March to 125 billion in June 1981 (in 1972 prices).<sup>3</sup> The demand for new housing dropped sharply because it also depends strongly on credit rates. The ratio of reserve stock to sales in the processing industry and trade rose during that period from 1.63 to 1.73. The stock exchange also reacted quickly. The Dow Jones average fell from 1,025 in May to 850 in September 1981.

"High interest rates," NEWSWEEK reported, "are keeping the automotive industry and housing construction on a tight leash, small businesses are also suffering difficulties and the number of bankruptcies is rising.... Interest rates are our Achilles heel.... If they do not drop by the end of the year, we will encounter almost the same difficulties as President Carter did."<sup>4</sup> Furthermore, the restraining effect of "tight money" on prices turned out to be extremely limited. Whereas the prices of investment commodities rose by 6.4 percent in the first quarter of 1981, the figure was 11 percent in the second quarter, and consumer commodity prices rose 15 percent (in annual terms) just in July 1981.

Therefore, one of the most important elements of Reaganomics--the raising of interest rates within the framework of the "tight money" policy--has helped to stop ascending trends in the economy instead of having the anticipated anti-inflationary impact, which was its main purpose. There were production cuts in the second and third quarters of 1981, and just in the fourth quarter the real GNP fell more than 5 percent, according to estimates, and more than 8 percent of the labor force was unemployed. This made Reagan's program of fiscal regulation particularly important.

#### The New Round of the Arms Race and the Economy

The structure of the country's military budgets reflects the desire of the present American leadership to make the United States militarily superior to the USSR and conduct an aggressive policy in various parts of the world. This approach fits in with the interests of the military-industrial complex, which was extremely disturbed by the process of international detente during the first half of the 1970's.

The American administration's aggressive foreign policy necessitated a sharp increase in military spending. At the same time, the Reagan Administration hoped to use the old recipe of sharply increased military spending to "warm up" the economy. This possibility has been substantiated by bourgeois economists, who postulate the need for autonomous government demand, including military, to compensate for insufficient demand in the private sector. On the other hand, the entire idea stems from the experience of American imperialism's aggressive wars in Korea and Vietnam, when an increase in military spending and the size of the armed forces was accompanied for some time by accelerated production growth and reduced unemployment.

In fiscal 1981 the federal government's military allocations totaled around 180 billion dollars, signifying an increase of more than 10 percent in constant prices. Allocations are expected to increase at a rate of 5-7 percent a year in the future. Therefore, by the end of President Reagan's term, U.S. military allocations will effectively double, in inflation-adjusted figures. To uphold the declining prestige of army service, the fiscal 1982 budget envisages an increase of 4.6 billion dollars in servicemen's pay and benefits. The creation of the rapid deployment force will require an additional 25 billion dollars during the 1980's for the purchase of CX military cargo planes (each will cost the taxpayers 100 million dollars), high-speed amphibious vessels and so forth. The price of each F/A-18 bomber is 21 million dollars, the F-14 costs 24 million and the XM-1 tank costs 1.7 million. For the sake of comparison, we should recall that the bomber and tank of the World War II era cost around 58,000 and 55,000 dollars respectively. It now costs around 8 billion dollars a year to maintain the U.S. Navy, consisting of 544 ships, and the planned increase to 600 vessels will require another 36 billion dollars. The program for the development and deployment of MX mobile missiles has an estimated cost of 34 billion dollars and each strategic B-1 bomber will cost 120 million dollars. Furthermore, the administration plans to buy 100 such planes before 1987.

This kind of significant peacetime escalation of military spending will certainly add to the already huge federal budget deficit. Attempts to cover this deficit by issuing more securities and putting more money in circulation, over and above the requirements of commodity turnover, will unavoidably stimulate inflation. After announcing the goal of a balanced federal budget by 1984, the Reagan Administration drafted a program of economy in federal spending, mainly on the strength of reductions in allocations for social needs and scientific research grants.

Despite the fact that the United States is now experiencing a recession, the average term of unemployment compensation has been shortened, producing a savings of 100 million dollars a month. There have been cuts in loans to families paying high college tuition fees for their children (equivalent to 4,000 dollars a year). Cuts in social insurance benefits will total 2 billion dollars a year, including a savings of 250 million dollars just on pensions, the Medicaid program will be cut by 1 billion dollars and the program providing 20 million poor people with food coupons will be cut by 2.6 billion dollars.

There will be a reduction of one-third (8 billion dollars) in allocations for "low-priority programs," among which the government now classifies scientific research, particularly space exploration projects, and the financing of the infrastructure. For example, the curtailment of technology development programs will produce a

savings of 3-4 billion dollars a year in the Department of Energy budget and 500 million dollars in the field of medicine. Funds for the maintenance of national parks and federal highways and for urban development will be reduced by 10 billion dollars by 1984. Furthermore, the actual reduction of social benefits is much greater if we consider the continuous rise in prices. In all, U.S. federal budget expenditures are to be reduced by 500 billion dollars over a period of 5 years.

Therefore, the American Government has decided to escalate military spending at the expense of the civilian sector. This naturally brings up the same questions of how this redistribution of expenditures will affect the economy and how valid the ideas of bourgeois political economists about the positive impact of militarization on the capitalist economy actually are.

Theoretically, when production capacities are severely underloaded and there is a huge army of unemployed, an increase in the number of military contracts and the number of servicemen can stimulate production recovery for some time. However, if the escalation of military spending is accompanied by an increase in taxes, used to balance the federal budget, the heavier tax burden will unavoidably reduce real public income and, consequently, public demand. Besides this, the growth of weapons production increases the amount of money in circulation without creating the appropriate quantity of commercial goods in the market, and this leads to inflation, even lower income and production slumps. If the additional military expenditures are covered by means of deficit financing--that is, without an increase in taxes--this escalates prices even more. Finally, as soon as expanded military demand leads to a shortage of production resources, pressure is exerted on prices from this side as well, and this also compounds their growth with all of the ensuing negative consequences.

A concrete analysis of the effects of escalated military spending on the U.S. economy, conducted with the aid of a system of macroeconomic models by us<sup>5</sup> and by American specialists,<sup>6</sup> indicated the following. At the time of the Korean War this escalation promoted a slight rise in economic growth rates in 1951 and 1952, but this was precisely one of the main reasons for the onset of economic crisis in 1953. In the absence of this "pump-priming," production volumes that year would not have dropped as much as they did and there would have been only a negligible decrease in the fourth quarter. Later, the sharp increase in military spending in connection with the aggression in Vietnam led to accelerated economic development in 1966 and 1967. This put an end to the crisis which began in 1967. From 1968 on, however, production growth rates were lower than they might have been without the military-inflationary "pump-priming," and the crisis of 1969-1971 was more severe and protracted than it should have been. The steady and prolonged ascent of prices in the 1970's also represented payment for this "priming." Therefore, experience has shown that the militarization of the American economy has not augmented average production growth rates and has even intensified the inflationary process.

The redistribution of budget funds from the civilian to the military sector also has a negative effect on the economy. Because military production is less labor-intensive than civilian production, each additional billion dollars invested in military production creates less jobs than the same amount invested in other branches of the economy. Cuts in civilian budget expenditures (unemployment

compensation, aid to the poor, etc.) reduce the income of the underprivileged members of society, who are inclined to consume much more because these people do not save their money but spend it immediately on the vital necessities. This is why these cuts are the chief contributing factor in the reduction of consumer demand. According to our calculations, based on a model of the U.S. economy, an increase of 1 billion dollars in military spending requires cuts of the same size in civilian government expenditures and, all other conditions being equal, leads to an integral loss of over 100 million dollars in the GNP over a period of 1.5 years. Similar results were obtained by the American researchers who used the University of Pennsylvania model to forecast alternative scenarios of economic development at the beginning of the 1970's (see Table 1).

Table 1  
Effect of Government Policy on Main U.S. Economic Indicators  
(percentage of increase over 1.5 years)

Variants	Premises			Results	
	Federal spending	Military spending	Civilian spending	GNP (constant prices)	Unemployment*
I	-0.9	-1.2	+9.2	+3.2	4.8
II	-8.5	-42.6	+91.2	+5.3	3.9

\* Average rate for entire period.

Source: "The Economic Consequences of Reduced Military Spendings" edited by B. Udis, Lexington, 1973, pp 63, 74.

The first variant envisages the stabilization of military spending and the moderate and mechanical growth of civilian federal expenditures. The second variant presupposes sharp and rapid cuts in military spending and the redistribution of most of the available funds in the civilian sector. The calculations show quite clearly that rates of economic growth rise and unemployment drops significantly in the second case.

Now let us look at the possible consequences of another aspect of Reagan's budget policy--the reduction of federal expenditures on scientific research. We know that one of the important conditions of technological progress in the capitalist countries is the government's growing role in the financing of research and development. This transfers the burden of the most costly research projects, which involve the greatest risk and do not promise a quick or high profit and are therefore unappealing to private corporations, to the taxpayer's shoulders. Nevertheless, at the end of the 1960's there was a tendency toward the slower growth of federal research and development expenditures in the United States. This was followed at the beginning of the 1970's by an absolute decrease in these expenditures--from 18.2 billion dollars in 1967 to 14.4 billion in 1974 (in 1972 prices). This also stopped the growth of private research and development expenditures. Total expenditures on research and development, which had reached 30 billion dollars in 1968, ranged from 28 to 30 billion in subsequent years, and the number of scientists and

engineers employed in this area stabilized at 520,000-560,000. As a result, as American experts have acknowledged, "the United States is losing its competitive edge in the sphere of technology because American industry is now spending less on research and the federal government is contributing much less to industrial research."<sup>7</sup>

In the 1970's all of this became one of the main reasons for the sharp decline in the growth rates of social labor productivity in the United States. According to E. Dennison's estimates, for example, national income per employed individual (in constant prices) rose at an average rate of 2.43 percent a year between 1948 and 1973, but it decreased at a rate of 0.54 percent between 1973 and 1976. Furthermore, during the first period scientific progress was responsible for a 1.41 percent rise in this indicator, but during the second period the figure decreased by 0.75 percent a year. If we consider the fact that social labor productivity in the United States has been rising quite slowly since 1977 and has even declined at times (by 1 percent in just the second quarter of 1981), the curtailment of federal expenditures on science is unquestionably one of the factors contributing to the further decline of economic growth rates in the 1980's.<sup>8</sup>

The U.S. administration has decided to supplement the policy of "priming the economic pump" by means of intensive militarization with a cut in taxes, which, according to the Republican administration, should stimulate demand and reduce the scales of government intervention in economic affairs.

#### The Fate of the 'Tax Triumph'

The culminating point in the establishment of Reagan's "new economic approach" was the "1981 tax act for economic renewal," adopted by the Congress in August 1981. The need for this kind of reform had been building for decades.

The U.S. tax system, which had undergone only insignificant changes since the beginning of the 1960's, or, in other words, since the time of the Kennedy Administration, had lost all of its value as an instrument of short-term anticyclical regulation and as a means of long-term stimulation of economic growth. The need to institute the fuller use of tax levers had already become evident in the mid-1970's. "The excessively expansive economic policy," former President Ford acknowledged, "led to extremely high rates of inflation and the most severe world crisis since the 1930's.... We must admit that the practice of turning federal spending into the principal means of controlling demand has undesirable consequences.... It is much better to ensure fiscal regulation by cutting taxes and not by drafting programs of budget expenditures."<sup>9</sup>

In this way, the tax reform acquired tangible outlines, after the need for this reform had been declared in the economic programs of G. Ford, J. Carter and R. Reagan.<sup>10</sup> The following measures constitute the basis of this reform, which has been legally reinforced by a decision of Congress.

A. Changes in rates of taxation: a cut of 5 percent in income tax rates on 1 October 1981 and two further cuts of 10 percent on 1 July 1982 and 1 July 1983; cuts in inheritance and gift taxes; from 1982 on--the lowering of the maximum taxable amount of investment income from 70 to 50 percent; changes in the taxable

profits of small corporations; the lowering of maximum taxable long-term capital gains from 28 to 20 percent; the lowering of the 30-percent tax on the windfall profits of oil monopolies (resulting from the lifting of oil price controls in 1978) to 15 percent.

B. Additional tax credits: a 6-percent credit for motor vehicles and research equipment acquired by firms and a 10-percent credit for other investments.<sup>11</sup>

C. A change in depreciation legislation: an increase in the legally established maximum annual depreciation deductions for various types of installations and equipment with compensation for the difference, beginning on 1 January 1981.

Let us look at what lies behind these measures. An analysis of the data in Table 2 indicates that the main element of the reform, the tax cut, is limited and has clearly defined class features.

Table 2

Federal Income Tax Paid in 1980 and Size of Cuts in 1981-1984 (dollars)

Annual family income	1980 r.		1981 r.		1982 r.		1983 r.		1984 r.	
	A	B	A	B	A	B	A	B	A	B
10 000	1 177	374	15	5	134	52	226	78	262	83
15 000	2 047	1 233	26	15	211	151	400	226	475	281
25 000	4 364	2 901	55	36	441	305	841	551	1 016	683
35 000	7 220	5 065	90	63	720	520	1 351	954	1 680	1 162
50 000	12 559	9 323	157	117	1 239	947	2 326	1 754	2 886	2 158
75 000	22 167	18 282	181	137	1 324	1 831	3 169	3 408	4 252	4 197

A--Single individuals.

B--Families of four.

Source: NEWSWEEK, 10 August 1981, p 27.

The approximately equal relative tax reductions in various groups of income recipients (22-23 percent) means that the absolute gains of the wealthiest taxpayers are immeasurably greater than the cuts in the taxes collected from low-income blue- and white-collar workers. For example, a family of four with an income of 75,000 dollars a year will save 4,200 in 1984, but the same size family with an income of 15,000 dollars will save only 281 dollars. In the case of single individuals and families with three dependents with the same annual incomes, the savings of the former will be 1.5-2 times as high, despite the fact that their per capita income is 4 times as high. Therefore, the tax reform will intensify real income differences and social inequality in the American society. This is further corroborated by the fact that the largest tax cuts will apply to the part of the income of the most wealthy Americans which represents dividends, rent, interest and other income unrelated to labor.

The limited nature of the federal tax cuts can be demonstrated by the following calculations. If we assume that prices will rise at an average annual rate of

8.8 percent (which seems to be a quite realistic estimate) during this period (1981-1984), a commensurate rise in wages will only keep purchasing power on a constant level. An income of 35,000 dollars in 1984 will be equivalent to an income of 25,000 in 1980 in terms of real purchasing power. The tax paid by the recipient of the 25,000 dollars in 1980 was 4,364 dollars; in 1984, after taking in 35,000 dollars, he will pay 5,540 in taxes. If this same taxpayer has three dependents, his income tax will rise from 2,901 dollars in 1980 to 3,903 in 1984. Therefore, inflation will not only nullify this nominal tax cut but could even reduce real labor-related income.

Besides this, the planned cuts apply only to federal income tax. The population also has to pay local taxes, however, which represent around one-fourth of all taxes and will not be affected by the change in tax rates. Another important element involved in the formation of net public income consists of social insurance contributions and benefits. In accordance with the measures planned by the government, the former will be 38 percent higher in the third quarter of 1982 than in 1980, but the latter will be only 19 percent higher (in current prices).

The most important of the other tax reform measures is the revision of amortization laws. It is known that large corporations can raise the prices of their products when there is an increase in standard depreciation deductions. This gives them a double advantage. On the one hand, the higher depreciation norms allow them to transfer the cost of means of production to the commodity much more quickly and thereby accelerate the recoupment of investments. On the other hand, when depreciation deductions exceed actual renewal figures, the part of corporate income which represents the difference between depreciation and replacement figures essentially becomes untaxed profit. At one time, the artificial overstatement of depreciation deductions by monopolies was limited by something called Bulletin F, which established the maximum standard deductions in legislative form. Their last significant revision was conducted in 1962, when maximum depreciation terms were reduced by around one-third in accordance with a law passed when Kennedy was president. To some degree, this aided in the mass renewal of fixed capital which began in the 1960's.

The new system instituted by the Reagan Administration allows assets to be written off more quickly: 3 years for passenger cars, vans and research equipment; 5 years for other equipment and property belonging to state and local governments; a service life of up to 18 years; 10 years for all other property and some real estate; 15 years for all other real estate. Furthermore, 150 percent of the initial value is written off in the first three cases, and 200 percent in the last case, which represents an adjustment for the rising cost of elements of fixed capital during the depreciation period.

The institution of higher depreciation deductions in combination with more extensive tax credits for investments and lower tax rates on income unrelated to labor will lead to the considerable growth of net non-labor income, undistributed corporate profits and dividends in 1982-1984. On the whole, however (with a view to economic forecasts for 1982 and 1983), the tax reform will reduce federal budget revenues (see Table 3).

Table 3

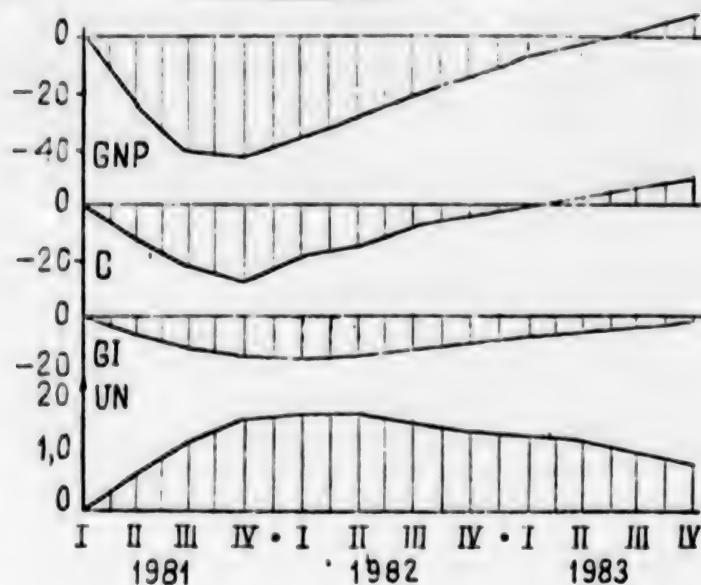
**Dynamics of U.S. Federal Budget Revenues**  
 (in billions of dollars, calculated per annum)

Measures	Fiscal 1982				Fiscal 1983			
	IV. 1981 r.	I. 1982 r.	II. 1982 r.	III. 1982 r.	IV. 1982 r.	I. 1983 r.	II. 1983 r.	III. 1983 r.
Change in income tax due to lower tax rates								
Change in other personal taxes (inheritance, gift, etc.)	-16,5	-16,8	-17,1	-52,5	-53,5	-54,6	-55,6	-94,7
	-0,8	-3,2	-3,2	-3,2	-12,6	-12,6	-12,6	-12,6
Total change in personal taxes	-17,3	20,0	-20,3	-55,7	-56,7	-67,2	-68,2	-107,3
Change in taxes levied on profits due to new system of accelerated depreciation								
Other changes in taxes on profits	-28,3							-74,8
	-6,4	-12,2	-14,0	-11,4	-13,8	-16,1	-18,5	-20,8
	-0,4	-0,9	-0,9	-0,9	-1,3	-1,3	-1,3	-1,3
Total change in taxes on profits	-11,8				-15,1	17,4	-19,8	-22,1
Change in indirect taxes								
Social insurance contributions	+2,0	+2,1	+2,1	+2,2	+2,3	+2,4	+2,6	+2,8
								+2,5
	+23,4	+29,1	+29,8	+30,5	+31,2	+32,0	+32,8	+33,6
					+28,2			+32,4
Total					-9,8			-38,5

Source: SURVEY OF CURRENT BUSINESS, April 1981, p 27.

Although the reduction of personal taxes exceeds the cut in corporate taxes in absolute terms, analysis has indicated that personal income taxes will be reduced by only 6.7 percent in fiscal 1982 when local taxes are taken into account, while corporations will be able to pay the treasury 15.7 percent less. In fiscal 1983, in spite of the additional income tax cut, these indicators will be 15.6 percent and 20 percent respectively. Therefore, in relative terms, the reduction of corporate taxes, primarily due to the revision of depreciation laws, will considerably exceed the cut in personal income taxes. This is why personal income taxes are expected to increase by 3.3 percent in 1982 while the tax on corporate profits will decrease by 14.3 percent even in current prices.

Graph: Deviation of Base Forecast from Alternative\*



\* Deviation for gross national product (GNP), consumption (C) and gross investments (GI)--in billions of dollars, in 1972 prices; deviation for level of unemployment (UN)--in percentages.

Therefore, in terms of its class content, Ronald Reagan's tax reform will mark the beginning of a new stage of national income redistribution in favor of the largest corporations and the wealthiest segment of the American society at the expense of blue- and white-collar workers, particularly those with low incomes.

Now we will attempt a quantitative interpretation of the possible consequences of Reagan's program with the aid of a system of macroeconomic models.

#### Model Estimates

These estimates were based on the results of comparisons of two forecasts of U.S. development in 1981-1983, which we obtained with the aid of the C-124 model. In the first (base) variant, the forecast was made on the assumption that all of the measures announced as part of Reagan's program would be carried out on schedule and in their entirety. The second (alternative) forecast presupposed that these measures would not be implemented. In other words, there would be no change in rates of taxation, the average growth rates of government spending and transfer payments would follow the pattern of preceding years, interest rates would drop, etc.

The graph illustrates the results of the comparison of the two forecasts, with the alternative variant representing zero and the base variant representing the deviation from the results of the former.

The data indicate that the decline of basic economic indicators and growth of unemployment, which, according to preliminary calculations, were apparent in the

second, third and fourth quarters of 1981, were largely due to the restrictive credit and monetary policy of the administration. The two forecasted trajectories only begin to converge in 1982, which is due to the anticipated drop in interest rates and the tax cuts planned by the American administration.

The livelier economic activity forecasted for the end of 1982 and 1983, however, is almost unrelated to the stimulating action of Reagan's economic policy. Growth rates will rise primarily as a result of internal cyclical forces in the economy. The sluggish investment process will be replaced by a period of rapid growth, and consumer demand for durable goods will begin to rise slightly earlier. The rates of this growth are quite close in the two forecasts.

These forecasts also did not indicate that Reagan's program would have a significant effect on inflation. If the administration's plans are carried out, they will reduce the annual rate of rise in GNP prices by 0.1-0.2 percent in 1982 and 0.2-0.4 percent in 1983, which appears negligible within the context of the 7-9 percent rate of inflation.

Slightly more optimistic estimates of the economic effect of the administration's program were derived with the aid of model forecasts of American economists. It is true that they examine only the tax reform and do not measure the dynamics of indicators (see Table 4), but it is still clear that most of the anticipated impact will be felt in 1983, or only after the third of the planned tax cuts.

The forecast reveals the groundlessness of Reagan's promises to reduce federal budget deficits in the 1981, 1982 and 1983 fiscal years and guarantee a growing positive balance in 1984 and subsequent years. This is regarded as the main goal of his tax reform and his entire economic program. In fiscal 1981 the budget deficit was already 58 billion dollars, which was far in excess of the administration's predictions. The Michigan economists' forecast predicts the doubling of the deficit as a result of the tax reform in the third quarter of 1982 and its tripling in 1983. Therefore, NEWSWEEK magazine had sufficient grounds to remark that "the tax triumph will reverse the 50-year process of government growth and will put the economy in a hazardous position."<sup>12</sup>

Table 4

Effect of Tax Reform on Basic U.S. Economic Indicators  
(change due to reform, %)

<u>Indicators</u>	<u>Third quarter 1982</u>	<u>Third quarter 1983</u>
<u>In 1982 prices</u>		
Gross national product	0.8	1.9
Personal consumption	0.9	2.2
Investments in fixed capital	2.2	4.9
Housing construction	0.0	0.7
<u>In current prices</u>		
Corporate profits	4.9	7.2
Federal budget deficit	95	227

## Dissatisfaction on Both Sides of the Atlantic

The first misgivings about the possible consequences of Reagan's economic policy were voiced at the beginning of 1981. The high interest rates began to attract foreign loan capital to the United States, primarily from Western Europe. This had a positive effect on the U.S. balance of payments and on the exchange rate of the dollar and a negative effect on the currency positions of Western European states. During the first half of 1981 the average exchange rate of the dollar in relation to 15 other capitalist currencies rose 28 percent.

After the American administration ignored the Western European governments' appeals to lower interest rates in the United States, they had to resort to raising interest rates in their own countries to reduce the deficit in their balance of payments. The higher cost of credit complicated the investment process there, contributed to the growth of unemployment and made recovery from the economic crisis extremely difficult in these countries. At the same time, the market exchange rate of the dollar in relation to the currencies of other capitalist states dropped by around 3 percent between August and the beginning of November 1981.

Within the United States the administration's restrictive monetary measures alarmed big business and aroused the displeasure of broad segments of the population. "The general opinion now," NEWSWEEK commented, "is that the Reagan revolution (this is what semiofficial propaganda has termed the new program of government regulation--Yu. Ch.) has been accompanied by the negative consequences of spiraling interest rates, economic disorder and higher rates of inflation."<sup>13</sup> In turn, U.S. Assistant Secretary of the Treasury P. Roberts acknowledged: "The opponents of the administration are convinced that, sooner or later, a program based on incompatible elements of strategy will collapse under the weight of internal flaws."<sup>14</sup>

The unconcealed enthusiasm with which the plans for the tax cut were received was first replaced by more cautious estimates of its impact and then by pointed criticism. According to a number of American economists, the administration made a mistake when it started with credit restrictions and then hoped to stimulate the economy with budget measures. For example, L. Thurow wrote: "Reagan says that he can step on the monetary brake and slow down inflation while simultaneously cutting taxes and increasing military spending dramatically and stepping on the budget accelerator to speed up economic growth. This has never worked. Credit restrictions always deter growth more than they influence inflation."<sup>15</sup>

We have already seen that the hope of reducing the budget deficit was unwarranted. In fact, its growth has been predicted. As for the next 5 years, according to the administration's plans, federal budget revenues should be reduced by 700 billion dollars during that period as a result of the tax cuts, while budget expenditures will, on the one hand, increase by 167 billion dollars as a result of larger military allocations and, on the other, decrease by 514 billion along with allocations for social programs. The net negative balance of almost 350 billion dollars was expected to be covered by increased revenues as a result of the growth of production, income and, consequently, total tax payments. However, the negative short-term impact of high interest rates and the long-term impact of militarization and the curtailment of research expenditures are bringing about production cuts and are raising questions about the American economy's ability to maintain even its previous growth rates in coming years.

In fall 1981 it became obvious that there was no point in anticipating compensatory budget revenues at a time of unfavorable market conditions. For this reason, the U.S. administration is again searching in earnest for additional sources of budget economy. According to experts, only a freeze on the main weapon systems, the complete cancellation of these programs or massive cuts in social spending can give the administration anything close to the tight budget it needs so desperately. The President's decisions and the Pentagon's repeated statements about the launching of more and more new programs and the development of new weapon systems suggest that even the possible further economization measures that might be taken will not go beyond additional cuts in civilian federal expenditures.

#### FOOTNOTES

1. This is what the Western press calls Reagan's program of economic regulation.
2. The data on increases are calculated in constant prices and on the annual scale.
3. The following example is indicative in this connection: If a dealer now buys a car for 10,000 dollars on credit at 19 percent per annum, it costs him 158 dollars each month it is displayed in his window (NEWSWEEK, 31 August 1981, p 39).
4. Ibid., 7 September 1981, pp 30, 31.
5. For more detail, see Yu. A. Chizhov, "Model' ekonomiki SShA" [A Model of the U.S. Economy], Novosibirsk, 1977, pp 143-149.
6. For more detail, see "The Economic Consequences of Reduced Military Spendings" edited by B. Udis, Lexington, 1973.
7. SURVEY OF CURRENT BUSINESS, August 1979, pt II, p 6.
8. American economist L. Thurow wrote the following about this: "The President has promised an annual growth rate of 4.5 percent for the next 5 years. But the American economy cannot grow at this rate if labor productivity does not rise 3 percent a year. It has been 14 years since labor productivity rose at this rate in the United States, and in the last 3 years it has declined" (NEWSWEEK, 21 September 1981, p 26).
9. "Economic Report of the President," Wash., 1977, pp 6, 10.
10. Some changes in tax rates and tax credit requirements were instituted in 1976-1978, but they could not have had any appreciable effect on the system in general. For more detail, see MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 8, 1978, pp 74-80.
11. These credits mean that the taxes levied on company profits will be reduced by an amount equivalent to 10 percent of its total investments.
12. NEWSWEEK, 10 July 1981, p 24.

13. *Ibid.*, 21 September 1981, p 22.
14. *FORTUNE*, 16 November 1981, p 153.
15. *NEWSWEEK*, 21 September 1981, p 26.

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UNITED STATES-ISRAELI 'MEMORANDUM' DIRECTED AGAINST ARABS

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 82  
(signed to press 1 Jan 82) pp 108-112

[Article by V. Babak: "The American-Israeli Strategic Alliance and the Annexation of the Golan Heights"]

[Text] On 30 November of last year the defense ministers of the United States and Israel signed a memorandum in Washington on mutual understanding in the area of strategic cooperation. How did they explain the need for this? It turns out that they were motivated by the desire to protect the Near and Middle East "from the Soviet military threat." Monstrous as this statement might seem, it is even more striking that a deliberate silence has been kept about the fact that this "mutual understanding" is actually directed against the Arab countries.

In the preamble to the document the two sides confirmed the "common ties of friendship between the United States and Israel" and the "mutual security safeguarding efforts of the two countries." There is absolutely nothing new in this confirmation. Who does not know that the American-Israeli relationship has been a "special" one literally since the first day of Israel's existence! Washington's "attraction" to Tel Aviv stemmed from its plans to use the latter for a struggle against the Arab people's national liberation movement and the consolidation of American imperialism's positions on a major strategic bridgehead. A militarily strong Israel which could take on the functions of imperialism's striking force in the region was an organic part of Washington's far-reaching plans.

It is precisely the combination of U.S. hegemonic plans and belligerent Israeli expansionism that has served as the basis for the "special" relationship between the two countries for more than three decades. Describing this relationship, THE TIMES of London remarked in 1971 that U.S. ties with Israel "are unparalleled in American history.... These ties in all spheres--in the area of defense, economic cooperation, the exchange of intelligence data, dual citizenship and mutual diplomatic support--have become much closer than, for example, the ties between the United States and Great Britain." And after all, everyone knows that the similarity of U.S. and British policy lines in the international arena was long regarded by many as something just short of a "family alliance."

It is no secret that the Israeli lobby, ruled by a Zionist elite, plays an extremely important role in U.S. politics. It actively influences official policymaking and

public opinion through the mass media, a significant part of which is under its control. "Could anyone deny," the London magazine MIDDLE EAST INTERNATIONAL asked, "that no other special interest group has as much influence on Capitol Hill or as much access to key administration figures as the Israeli lobby? For example, no other lobby--whether ethnic, political or corporate--could have won the impressive victory gained by the Zionist lobby in May 1975, when it...persuaded 76 senators to sign a letter demanding that the President increase aid to Israel."

According to the aforementioned TIMES, the American reaction to any hypothetical threat to Israel is "more energetic than when the matter concerns a NATO ally."

Why then did the "memorandum on mutual understanding in the area of strategic cooperation" have to be signed? Did this kind of "mutual understanding" not exist earlier? Finally, why did its contents have to be publicized?

American imperialism's considerably stepped-up aggressive actions in the Middle East, its unprecedented broad-scale military maneuvers in this region with the participation of the armed forces of reactionary regimes, and Israel's more intense punitive actions against neighboring Arab states constituted the background against which this document made its appearance. Of course, it cannot be examined in isolation from Washington's entire strategy in the Near and Middle East, from the separate U.S.-sponsored bargain made by Israel and Egypt or from the plans to reinforce the Pentagon's military presence in the region and deepen the rift in the Arab world. Strong pressure has simultaneously been exerted on some Arab countries to lead them into the channel of American-Israeli military strategy. The sale of the AWACS aircraft and other types of weapons to Saudi Arabia was primarily intended to turn the oil kingdom into one of Washington's military partners.

It is indicative that the mission to convince Israel of the validity of the decision to sell Saudi Arabia the AWACS planes was taken on by former U.S. President Nixon. "As a friend of Israel," he said, "I believe that the approval of this transaction at this stage is in the interest of Israel as well as the United States." He described President Reagan as "probably Israel's most zealous supporter in the White House since the time of Harry Truman."

The supply of weapons to Egypt has been stepped up. American guns are being sent to Sudan, Oman and Somalia.

The American-Israeli memorandum is another important step in the further militarization of Washington's Middle East policy. "The idea of an official American-Israeli security pact," the WALL STREET JOURNAL reported, "was born of President Reagan's conviction that a militarily strong Israel should be regarded as a strategic asset, and not simply as an ally with whom the United States is connected only by emotional bonds. The Reagan Administration is striving to include Israel, as well as the pro-Western Arab states, in a new anti-Soviet 'strategic partnership' in the Middle East."

There is truly no limit to the cynicism displayed by the Reagan Administration in conjunction with the Israeli aggressors. After their aggressive actions had escalated tension in the Middle East, they tried to blame all of this on...the Soviet Union. For example, according to the American-Israeli memorandum, its purpose is

to oppose "any threat to peace and security in this region, created by the Soviet Union or outside forces controlled by the Soviet Union and conveyed (?--V. B.) to this region." These statements are being made at a time when the very people whose "protection" from the "Soviet threat" is the object of so much concern to the military establishments of the United States and Israel have resolutely denied the existence of any such threat. "It is not likely that there is any Arab," Jordan's King Hussein said when he was interviewed by a NEW YORK TIMES correspondent in summer 1981, "who cannot sleep nights because of the possibility of a threat from the East." "Most Arabs deride the U.S.-Israeli agreement on 'strategic cooperation,'" the JORDAN TIMES reported. "They believe that the principal danger to the Arab region is not the imaginary 'Soviet threat.' This danger is more likely to come from Israel, and it is also a result of the support Israel receives from the United States." "Many Arab countries," the Moroccan newspaper AL-BAYAN stressed, "are wondering whether the authors of the agreement can actually cite a single example to prove that the USSR plans to attack any Arab country in this region. No such examples exist because the policy of the Soviet State is a policy of peace, the consistent support of the Arab people's struggle against imperialism and Zionism and support of the just Palestinian cause."

Analyzing the memorandum, the WASHINGTON POST had to admit that "some Arab countries, including Syria, Kuwait, Libya and the PLO, have described the agreement as one whose aims are primarily anti-Arab."

Explaining the real purpose of the two countries' military alliance, L. I. Brezhnev said: "The so-called U.S.-Israeli 'strategic cooperation' will bring the Arabs bloodshed, destruction and grief.... There has never been another period in history when the policy of states and the fate of entire nations on all continents have been manipulated so brazenly and cynically or with as much overt egotism as now, courtesy of aggressive imperialist forces."

According to the memorandum, the strategic cooperation takes in an entire group of measures. They include "the organization and maintenance of coordinated and concerted efforts to guarantee combat readiness." Joint measures will be taken to strengthen the American military presence in the region and to continue building up Israel's already colossal military strength. The document envisages future joint military exercises, including naval and air exercises in the eastern Mediterranean. As we know, the Americans have long been organizing various types of maneuvers in regions close to the borders of the Soviet Union and other socialist countries. In November 1981 it conducted mass-scale maneuvers, codenamed "Bright Star," in which U.S. armed forces were joined by combat subunits from Egypt, Sudan, Somalia and Oman. The memorandum designates Israel as a support base for the American "rapid deployment force." "The actual purpose of the U.S.-Israeli strategic alliance is intervention by American imperialism in the internal affairs of the Middle Eastern countries and the assumption of the right to use military force against Arab states whose policy runs counter to the plans of the Reagan Administration," AL-BAHYAN concluded.

For the closer coordination of the military-strategic plans of the two sides, the document envisages the creation of a special coordinating council and joint task forces by the defense departments of the two countries. These will "organize joint activity to guarantee combat readiness, including the right of access to technical

maintenance and repair facilities and other elements of the infrastructure..., and cooperation in research and experimental design projects," as well as "in the trade in military equipment." This appears to be a description of a multileveled strategic alliance, making the United States of America fully responsible for all Israeli aggressive actions against the Arab states, and Israel a direct participant in any of Washington's adventures.

France's *LE MONDE* suggested that the slightly "vague" nature of some articles of the memorandum is due to the existence of secret appendices. In particular, the newspaper asked: "Have the Israelis gained access to secret information transmitted by American satellites?" The grounds for asking this question are more than sufficient. Concerted action by the special services of the two countries, including the CIA and Israel's "Mossad," dates back to the 1950's. As London's *MIDDLE EAST* magazine pointed out, the United States granted the Mossad extensive powers to collect information in the Middle East. Ever since 1959, the magazine said, "all Middle Eastern CIA operations have been coordinated with the Mossad." The 'cooperation' of the two intelligence agencies in Africa is well known. There have also been reports in the world press that the CIA was involved in Tel Aviv's attack on the Iraqi nuclear reactor in summer 1981.

A Cairo news bulletin, *ARAB PRESS SERVICE*, reported that Israeli armed forces are expected to participate directly in interventionist operations planned by the United States in the Middle East. According to this bulletin, a virtually complete scenario has been drawn up for the creation of a special military contingent by Israel to act in "crisis situations." It is supposed to be used in invasions prior to the arrival of the main units of the U.S. rapid deployment force. Just before the official signing of the bilateral memorandum, the Israeli minister of defense and his advisers acknowledged that Israel should cover the movements of American armed forces in the eastern Mediterranean and the Middle East from the air. It will give American armed forces a chance to keep fairly large supplies of military equipment on its own territory. Some types of equipment are to be produced in Israel at the request of the United States. According to M. Begin, the American Sixth Fleet will be able to use two Israeli ports on the Mediterranean.

It is completely obvious that Israel's active participation in U.S. military ventures in the region will result in the further buildup of its weapons. The *ARAB PRESS SERVICE* reported that a special strategic reserve will be created for the material supply of invasion troops. The United States will send around 500 more tanks and 80 more combat planes to Israel in 1982 and 1983. All of this equipment will be held in reserve in case of a "crisis." American reconnaissance planes will be transferred to Israel for espionage flights in the Mediterranean and Red Sea regions. American food and medical supplies for the rapid deployment force will also be stored in Israel. It is now known that all of these measures were already being discussed in 1978-1979 at the Camp David talks, and agreements were reached on some of these matters at that time.

Israel's official transformation into Washington's military partner in the region signifies that the militaristic plans of ruling circles in both countries will be raised to a new level and that Israel's military potential will continue to be augmented. But after all, its armament level is already exceptionally high. Israel ranks first in the world in terms of its number of military personnel per 1,000

inhabitants. Besides this, it has created a large reserve army, numbering up to a quarter of a million. Israel is not only buying huge quantities of foreign military equipment but also has a highly developed military industry which produces weapons for its own army and for export. Its weapon exports increased from 425 million dollars in 1978 to 1.45 billion in 1980 and, according to some data, up to 2 billion in 1981. Israel ranks seventh among the world's suppliers of weapons and it exports military products to 40 countries. Much of the raw material and some of the components for Israeli guns come from the United States. Washington is not setting up any obstacles to Israel's weapon exports and is even encouraging them in every way possible, particularly exports to countries with antidemocratic regimes (Chile, South Africa, Guatemala and others).

The military conspiracy with the United States has been strongly protested in Israel, even by some Knesset deputies from the opposition parties. "For the first time in our history," said Secretary General Shemtov of the MAPAM party, "we have pledged to take action against a world power--the Soviet Union." Former Israeli Prime Minister Rabin accused Begin of trying to provide the Israeli Army with opportunities for "action against the Soviet Union outside the immediate arena of the Middle East conflict."

It is indicative that several draft resolutions on a vote of no confidence in the government were introduced in the Knesset in connection with the signing of the memorandum. After 6 hours of debates, the document was approved by a vote of 57 to 53 with 2 abstentions (and this was even after four ministers who were abroad were immediately recalled to take part in the vote).

Is there any need to underscore the fact that the Arab states regard the reinforcement of the U.S.-Israeli military alliance as the prerequisite for the further escalation of tension in the region? The memorandum, according to the Algerian newspaper AL-SHA'AB, signifies a "declaration of war to all Arab countries which have rejected the path of capitulation and betrayal." Could it be a coincidence that Israel committed a new act of aggression soon after the memorandum had been signed by announcing the annexation of the Golan Heights, the Syrian territory it had occupied in 1967? Of course not. "Under the conditions of an open military-strategic alliance between Israel and the United States," reported AL-WAHDA, a newspaper published in the United Arab Emirates, "we could hardly expect anything else from Tel Aviv but new aggression against neighboring states or more violations of the legitimate rights of Arabs." The entire world viewed this annexation as a scandalous violation of all standards of international law. "Tel Aviv's decision," Italian Foreign Minister E. Colombo said, "is obviously inconsistent with international law, with corresponding UN resolutions and with Security Council Resolution No 242." (He was referring to a resolution adopted by the Security Council in November 1967 to demand the withdrawal of Israeli troops from occupied territories.)

Evidently, this brazen action was taken in the firm belief that the ally would simply accept the fact or put on a show of disapproval. As we know, this show was staged. When the annexation of the Golan Heights was discussed in the UN Security Council, the United States did not exercise its veto power against the decision condemning the Israeli action. The Israeli aggression definitely hampered Washington's attempts to undermine Arab solidarity in the struggle against the Israeli aggressor. But Begin is acting only according to his own inclinations.

The annexation of the Golan Heights is a new link in the chain of illegal actions committed by Tel Aviv within the framework of its strategy of "assimilating" occupied Arab territories for the purpose of their ultimate inclusion in the State of Israel. In this connection, it is significant that the Israeli authorities had already annexed the eastern half of the city of Jerusalem, occupied in 1967, and declared the entire city the "single and indivisible" capital of Israel. The world public has been filled with justifiable indignation by the Israeli military establishment's systematic terrorist raids on neighboring Lebanon.

The facts testify that Tel Aviv, backed up by the all-round support of international imperialism and world Zionism, has elevated the methods of common piracy to the status of state policy.

It is not surprising that people in the Arab East are afraid that Israel will not stop at the annexation of East Jerusalem and the Golan Heights but will go on to do the same to the West Bank of the Jordan River and the Gaza Strip. There is even the suspicion that Israel is trying to escalate tension in the Middle East as a pretext for not honoring its pledge to withdraw troops from the Sinai. "Begin," England's FINANCIAL TIMES reported, "could renounce the Camp David agreements and not withdraw Israeli troops from the Sinai.... There is also the danger that Begin could start a war against Syria."

Commenting on statements by high-level U.S. spokesmen in connection with the U.S.-Israeli "complications," the WASHINGTON POST stressed that "all of them tried to portray the incident as a friendly quarrel which would be settled in the same way as similar incidents in the past. The accuracy of this prediction was corroborated by subsequent events."

The "theatrical" nature of the American-Israeli "quarrels" was fully revealed on 20 January of this year, when the UN Security Council voted on the draft resolution condemning Israel's annexation of the Golan Heights and envisaging sanctions against Tel Aviv in connection with this aggressive act. Exercising its veto power, the United States kept the resolution from being adopted. Therefore, Washington has openly taken aggressive Tel Aviv under its protection, showing the entire world that it is a sponsor and patron of the Israeli expansionists and is directly responsible for the dangerous developments in the Middle East.

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## BOOK ON INTERNATIONAL PRODUCTION SYSTEMS CRITICIZED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 2, Feb 82  
(signed to press 1 Jan 82) pp 135-137

[Review by V. Shastitko of book "Mezhdunarodnyye proizvodstvennyye sistemy" [International Production Systems] by Yu. S. Shirayev, Moscow, Izdatel'stvo "Vysshaya shkola", 1981, 240 pages: "An Important Economic Problem"]

[Text] This book deals with a topic which has not been investigated thoroughly in our economic literature--the formation of international production systems under socialism. One of the distinctive features of the author's analysis is his study of new developments in international socialist economic relations with a view to the general laws governing the present-day development of productive forces at a time of technological revolution and the continuous collectivization of labor and concentration of production.

The formation of international production systems is closely related to the development of international cooperative production. In reference to this connection, the author says: "Within the framework of the international production system the cooperative relationship does not lose its commodity and monetary aspects but effectively becomes the opposite of the commercial relationship--extremely broad in terms of scales and universality but nevertheless variable, conditional and unstable. The 'non-commercial' features of cooperation are established here in their entirety by the very structure of the production system" (p 45). This idea appears to be an extremely productive way of analyzing the essence of the commodity and of commodity production under the conditions of highly collectivized labor, including international collectivization. Developing this thesis, Yu. Shirayev examines the role of commodity exchange within the international production system and states that the "naturalization" of exchange within this system does not in any way contradict the social nature of production. "The naturalization of exchange ceases to signify the absence of a real societal connection," he writes. "On the contrary, it becomes a clear indication (and one materialized in the form of goods or services) of the existence of an orderly, regular and technologically indestructible societal connection" (p 51). This statement is not indisputable but it is interesting and deserves consideration, although it has not been expressed as well as it might have been.

This brings up the question of the economic nature of this "naturalized connection" and the workings of its reproductive process. The author evidently realized that

his arguments were inadequate; he returns to this idea, but only in passing, in his examination of the functioning of international production systems, and disrupts, it seems to us, the logic of his examination to some degree. On page 184 we find a fundamental procedural hypothesis: "The decisive motive for cooperation (and, consequently, for the formation of international production systems--V. Sh.)... becomes not the mere desire to reduce overhead costs, but primarily the possibility of raising the technical level of production during all stages of the production process and collectively developing and producing the particular machines, equipment, machinery systems, technological lines and other items whose autonomous production would be economically expedient (or simply impossible)." After making this extremely important statement, Shirayev goes no further, although it questions the validity of the theory of "relative costs" in its traditional interpretation by many Soviet and foreign Marxist economists as the key to discovering the economic nature of international division of labor and requires additional substantiation precisely for this reason.

The author distinguishes between three types of international production systems--socialist, capitalist and a combination of the two. In the first chapter, which deals with the theoretical and procedural aspects of the formation of these systems, the system of classification is based mainly on differences in the subjects and methods of functioning. Their principal difference, however, connected with the opposite goals of production in general and the activity of international production systems in particular, is discussed by the author in the chapters in which each specific type is examined. Considering the logic and structure of the study, we do not think that this was the best choice. Differences in the purposes of capitalist and socialist international production systems should have been discussed precisely in the general methodological overview.

In a detailed analysis of all the problems connected with the formation and the functioning of socialist international production systems, the author cogently proves the objective nature of the process by which they are engendered and develop. He correctly feels that stability, viability and the move from the sphere of distribution to the sphere of science and production are the features of socialist integration which unavoidably lead to the emergence of the socialist type of international production system. The author proves this by summarizing a large quantity of factual material, much of it original, on the basis of which he reveals the deep-seated tendencies in the development of productive forces and the international collectivization of production.

The work contains many significant explanations and views of seemingly well-known facts and phenomena which have already become stereotypes. For example, the conventional belief is that financial participation by countries in the construction of facilities in a single country is one of the main forms of integration and establishes strong ties between partners. We feel that Shirayev is correct when he says that the existing form of financial participation by countries in joint construction projects is a "short-lived system," strictly related to the specific object of investment cooperation and apparent after its construction (p 221).

Cooperative production and scientific and technical cooperation, closely coordinated, united and aimed at the attainment of major national economic goals, constitute the most reliable way of forming international production systems, which, according to

the author, "become, to some degree, an independent factor in the development of productive forces" (p 46). In this respect the elaboration and implementation of long-range special cooperative programs are most consistent with the objectives of international production systems: Within the framework of these programs, efforts are made to systematize all forms of cooperation for the attainment of final results on the condition of the sequential and comprehensive completion of planned undertakings.

At the end of his examination of the "most general tendencies in the formation and development of the socialist type of international production systems," Yu. Shiryayev states a number of important conclusions.

In particular, he believes that an intensive process is going on within the CEMA framework to establish the prerequisites for the development of international production systems--although "the most appropriate organizational forms for the international production system have not yet been perfected" (p 100) and that "the fragmentary nature of many forms of cooperation signifies the great reserves connected with comprehensive development within the framework of international production systems" (p 101). These statements suggest that the author believes that the process by which socialist international production systems take shape is still in its initial stage. This seems to be a safe assumption.

The longest chapter in the work contains an analysis of some aspects of the functioning of socialist international production systems. I cannot agree with the author's approach to this topic. He believes that the most important aspect is "the intraorganizational prerequisites and the proper orientation of national economic mechanisms, although the international production system...acquires the ability to exert reciprocal influence on these mechanisms. The peculiarities of these systems suggest that the environment of their functioning must be regarded as a synthesis of international and internal conditions of economic activity" (p 173). The main condition for the promotion of the system's functioning by the economic mechanism is an emphasis on final results which represent the highest possible economic level and maximum economic efficiency.

In this connection, Yu. Shiryayev proves the objective need for the convergence of planning and administrative systems in the CEMA countries, the establishment of direct ties between specific subjects of economic relations and the coordination of economic policy--in short, the principal objectives set forth at the 26th CPSU Congress as the main ways of improving mutual cooperation by these states.

The author says that the basic method of managing the socialist type of international production system consists in joint planning in the broadest sense of the term--in other words, a process including the elaboration of joint programs for the attainment of specific national economic objectives and the comprehensive investigation of technological and production problems.

The author poses a number of unanswered questions about the commodity and monetary mechanism (for example, questions about pricing in cooperative production and some aspects of currency and financing relations), but he poses them only in the most general terms and merely mentions some approaches to their resolution. Perhaps it would be an excessive request to ask the author to answer these questions, as his

study is of a procedural nature in general and is not an applied research project. We must say, however, that even his discussion of these questions departs from tradition and this will unquestionably arouse the interest of readers and perhaps even stimulate further discussion. For example, in a footnote on page 180 the author questions the validity of considerations about an international currency to perform the classic functions of world currencies "when it is well known that these functions can only be completely performed by one specific resource--gold."

In his study of the organizational forms of socialist international production systems, the author concludes that the structure and goals of these systems are best matched by the joint enterprises and firms which have not been adequately developed as yet. On the other hand, he also believes that the "problem consists not in the absence of the necessary organizational forms, but in their great variety, in the fact that they are on different levels or are not complete and in the categorization of existing organizational structures on departmental and other grounds" (pp 221-222). For this reason, the author feels that it is essential to choose the most suitable forms with a view to the objectives of international production systems.

In spite of the significance of the chapter about capitalist international production systems, which contains interesting information about their functioning (we would like to particularly direct the reader's attention to the section on the stability of production systems in the capitalist society), the chapter nevertheless seems to be of an auxiliary nature. This seems to fit in completely with the general purpose of the work.

A short chapter (IV) deals with the so-called combined forms of international production systems which, according to the author, arise as part of the economic relations between socialist and capitalist countries. It seems that this is only a suitable explanation in the discussion of future possibilities for the formation of systems of this type, given the presence of many conditions, with one of the most important being the presence of stable and lasting peaceful relations between countries of the opposing socioeconomic systems. The information presented in this chapter provides no grounds, in our opinion, for the conclusion that certain features of international production systems are already apparent in East-West economic relations. The individual agreements reached by these countries with regard to cooperative production, compensatory agreements and even joint enterprises are far from systemic in nature. The main obstacles to their evolution into a production system are the socioeconomic differences of the partners and the influence of political factors. The fear of the possibility of economic dependence on a political adversary is inhibiting the development of some of the most solid and mutually obligating forms of cooperation. For this reason, it is obviously too soon to speak of the formation of production systems in the relations between the capitalist and socialist countries, although the theoretical discussion of this matter is valid and interesting.

In conclusion we repeat that the work contains many interesting and debatable statements, and this is what arouses the reader's attention. Shirayev has written an investigative work which will indisputably promote the theory of the world socialist economy.

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## BOOK ON HISTORY OF INTERNATIONAL COMMUNIST MOVEMENT REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 2, Feb 82  
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[Review by A. Sharkov of book "Mezhdunarodnoye yedinstvo kommunistov: istoricheskiy opyt, printsipy, problemy" [The International Unity of Communists: Historical Experience, Principles and Problems] by B. M. Leybzon, Moscow, Izdatel'stvo politicheskoy literatury, 1980, 254 pages: "Internationalism in Action"]

[Text] The interrelations of national segments of the international communist movement are exceptionally important today. The solidarity of communists of all countries, their coordinated struggle, mutual support, cohesion and unity, based on the principles of Marxism-Leninism, have guaranteed the movement the status and role of the most influential political force in today's world.

This is why the subject of this review is particularly pertinent. The author views proletarian internationalism, the basis of relations between communist parties, as a reflection of the objective processes of the internationalization of economic, social and spiritual life (p 7). In view of the fact that the main productive force is represented by the laboring masses, especially the working class, it is completely obvious that the internationalism of the world proletariat and its vanguard, the communist and workers parties, represents not only a categorical imperative of the present era but also one of its salient characteristics.

The communist movement now takes in more than 90 parties and the number is still rising. The role of each specific party "depends not only on the results and breadth of its own activity but also on the influence and prestige of the world communist movement as a whole" (p 219). This correct statement is vividly illustrated with examples from history. As the author shows, the development of the Communist Internationale and the rise of its international prestige were accompanied by the increasing independence of each of its national segments. V. I. Lenin always stressed the need to consider the differences between countries and their governments when courses of socialist revolution were being chosen by specific parties.

The historic Seventh Congress of the Comintern in 1935 asked the Executive Committee to consider the specific conditions and peculiarities of each country and avoid, as a general rule, any direct interference in the intraorganizational affairs of communist parties. In essence, the author correctly points out, this was evidence

of the "successful activity of the Comintern, which established the necessary conditions for the transition from a single world communist organization to a union of totally independent parties" (p 63).

When the obsolete form of organizational unity was discarded in 1943, this did not mean that international unity was being renounced. On the contrary, it indicated an intention to find forms of contact between communist parties which would correspond to their growing strength and the complexity of their national undertakings.

The initial frontier, marking the establishment of new forms of communist unity, was the international conference of 14-16 November 1957 in Moscow, which was attended by representatives of communist and workers parties in the socialist countries. Questions connected with the reinforcement and development of forms of international communist unity occupied a prominent place on the agenda of the conference of 16-19 November 1960 in Moscow, attended by representatives of 64 communist and workers parties.

The 1960-1969 period was "one of the most complex in the history of the international communist movement" (p 89). The author cogently exposes the treacherous policy of the Maoist leadership, as a result of which "the unity of the movement and the independence of parties were imperiled" (*ibid.*), and reveals its causes. Describing the document adopted at the 11th CCP Central Committee Plenum in January 1961, containing an appeal to "strengthen unity," as proof of the hypocrisy of the Beijing leaders, the author remarks: "The Maoists turned the word 'strengthen' into something just short of a synonym of 'destroy.' After declaring its willingness to strengthen the international communist movement, the CCP leadership immediately began more intense subversive activity, attempting to establish its own pro-Beijing parties in all countries whenever possible and activating all types of ultra-leftist, anarchist and Trotskyist elements" (*ibid.*).

Describing the circumstances and proceedings of the preparations for the 1969 international conference of communist and workers parties, in which 75 parties participated, the author stresses that it "represented a large step toward the reinforcement of international communist unity and the consolidation of all anti-imperialist forces" (p 106). It was noted at the conference that a constantly increasing number of participants was characteristic of the current revolutionary process. New forces, peoples and social strata, which had generally remained "outside politics," were becoming involved (p 14), and this was accompanied by, and connected with, the increasing role of the socialist countries in the world arena (in our opinion, it would have been more correct to say "politically alienated," as it would be impossible for anyone to remain "outside politics"). The author describes how internationalism has revealed itself more and more in the form of a material force, giving unity new value and new qualities.

One of the author's important conclusions seems logical and convincing: "There is no question that history will further enrich the content of the term 'proletarian internationalism' while preserving its essential meaning--the acknowledgement of the historic mission of the working class as a class capable of uniting, on the national and international scales, all forces opposing the world of exploitation and oppression" (p 14). It is true that internationalism has essentially always been proletarian--the outlook, policy and practice of the most progressive class,

capable of leading other anti-imperialist forces in various countries. It is precisely this that gives proletarian internationalism its great uniting power and has made the working class the rallying point of the best and most honest elements of each nationality, regardless of social affiliations and political views.

At the international conference on theory in Sofia in December 1978, representatives of many communist parties objected to attempts to put the term "proletarian internationalism" in question and replace it with the abstract, amorphous and "classless" term of the "new internationalism." "Considering the fact that any theory is valued more for originality than for accuracy," the author correctly points out, "it would be quite simple to renounce, for the sake of originality, the permanent, fundamental and specific type of term, such as 'proletarian internationalism.' Until the proletariat has fulfilled its worldwide historic mission, proletarian internationalism will retain its vital force" (p 17).

The author cogently proves that internationalism is not merely a specific feature of revolutionary ideology, but the "focal point of the communist outlook and the touchstone of genuine revolutionary fervor" (p 24). It is no coincidence that all problems connected with international solidarity invariably make their way to the center of the ideological struggle, and sometimes the political struggle as well.

The Marxist-Leninist interpretation of the relationship between proletarian internationalism and patriotism unequivocally stipulates that only the true internationalist can be a true patriot. Imperialism's ideologists and their accomplices and followers have always speculated on patriotism--what V. I. Lenin called "one of the deepest feelings, reinforced by centuries and millenia of separate father-lands"\*\*--by contrasting it to internationalism and promoting its degeneration into nationalism and chauvinism and into a basis for hegemonism. The birth of each communist party, the author remarks, has been the result of an urgent national need. This fact refutes the slanderous statements of the reactionaries who allege that communists promote a foreign ideology and shun patriotic feelings. But it is precisely the proletariat and the party of the proletariat that represent and fully reflect national interests in the era of capitalism's decline. The author presents convincing examples to demonstrate that "the union of internationalism and patriotism is the distinctive feature of communist parties" and that "communists are patriots of action" and resolute opponents of the metamorphosis of national interests into nationalistic ambitions (p 28). Their international struggle testifies that unity is a process as well as a state, that problems arise during this process and that the resolution of these problems requires a sense of the new and progressive, "adherence to principle and the ability to combine continuity in the movement with flexibility and ingenuity" (p 132). These are certainly not self-contained issues. "They reflect broader issues--the common political and ideological views of various communist parties and their intolerance of rightist-opportunistic and ultra-leftist deviations from revolutionary theory and policy" (p 215). Under present conditions, as the author correctly points out, the following words by V. I. Lenin are particularly pertinent: "The important thing is not the 'declaration' of internationalism, but the ability to act as an internationalist, even in the most difficult times."\*\*

\* V. I. Lenin, "Poln. sobr. soch." [Complete Collected Works], vol 37, p 190.

\*\* Ibid., vol 31, p 177.

In a discussion of the current problems of the communist movement, B. Leybzon directs the reader's attention to the development of the ideological basis of international unity, the equality and independence of communist parties, the attitude toward historical experience, debate and criticism in the international communist movement and the interrelations of communist parties in power and the ones struggling in the capitalist society.

The world communist movement has accumulated rich experience which aids communists in their political struggle and keeps them from repeating errors. One of the main themes of the book is that historical nihilism and a gap between the past and present indisputably undermine confidence in the future. The communist parties are not academic organizations, and they view the historical method as an instrument of practical policymaking.

The independence of parties, the author stresses, has nothing in common with indifference to the objectives of the entire movement. The strength of each segment of the movement depends not only on the success of its own activity but also on the state of the entire world army of communists. Independence cannot be identified with isolationism or nationalist exclusivity. The fraternal relations of political fighters with a common ideology must be permeated with an interest in the triumph of the common cause. Critical remarks and debates can be part of discussions and analyses of party activities. This is completely natural. It is a well-known fact, the author says, that insistence on one's own infallibility and the fear of listening to the opinions of others often indicate only a lack of self-confidence (p 180).

Against a broad background of historical events, the author examines the interrelations between communist parties in power and those which are struggling under capitalist conditions. Foreign policy, the author says in this connection, covers such a broad spectrum, and the development of international relations requires so much flexibility, that some of the steps taken by the socialist countries might not be consistent with the wishes of communist parties in various capitalist countries (p 202). The fact that all communists have common goals does not mean that they use the same tactics in all situations.

The author probably should have pointed out that the practice of disregarding important aspects of Leninist doctrine leads not only to theoretical inconsistency but also to a lack of political principle and eventually to apostasy. As L. I. Brezhnev stressed at the 26th CPSU Congress, "our party believes that the differences between communists are surmountable--provided, of course, that these are not the fundamental differences between revolutionaries and reformists or between creative Marxism and dogmatic sectarianism and ultra-leftist adventurism. Obviously, there can be no compromises in this area. This is just as true today as it was in Lenin's time."

The subject of this review is an informative, skillfully written book. There is no question that it will be of benefit to scientific workers and researchers, as well as a large group of readers with a lively interest in the problems of the present-day communist movement.

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